

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED
MTN.TNC/35
8 November 1993
Special Distribution

(UR-93-0092)

Trade Negotiations Committee

TRADE NEGOTIATIONS COMMITTEE

Thirty-First Meeting: 1 November 1993

1. The Trade Negotiations Committee (TNC) held its thirty-first meeting at official level under the Chairmanship of Mr. Peter D. Sutherland.

2. The Chairman recalled that at the Committee's meeting on 30 September, he had drawn attention to the urgent and real expectations to be found throughout the world that the Uruguay Round should conclude successfully on 15 December. He had also reminded participants of the very great responsibility which now rested on the negotiators' shoulders and the critical importance of making rapid and substantial progress in the remaining few weeks. Since then, the importance of the Round for growth, development and jobs and the urgent need to make rapid progress had been again emphasized by a number of meetings at Ministerial level. These Ministerial statements included the Declaration issued by ASEAN Economic Ministers in Singapore on 8 October (MTN.TNC/W/116), the Communiqué issued by the Cairns Group in Geneva on 18 October (MTN.TNC/W/117), the Statement issued by the Heads of Government of the Commonwealth in Limassol, Cyprus, on 22 October (MTN.TNC/W/119) and the Declaration by African Trade Ministers in Tunis on 25 October (MTN.TNC/W/118). Although various negotiating processes had been put in place, progress in the negotiations had to be speeded up substantially, given that only 45 days remained to complete substantive negotiations. He wanted, therefore, to share with participants his assessment of the present situation and of the remaining tasks to complete the negotiations by 15 December. In this regard the words that had been expressed by his predecessor at past TNC meetings — in particular the meeting on 2 November 1990, i.e., 31 days before the Brussels Ministerial meeting — showed a remarkable sense of déjà vu which should act as some form of salutary lesson for all about the perilous path on which one now had to proceed.

3. As regards Market Access, an indispensable element of a final Uruguay Round result, he recalled that at the TNC meeting on 30 September, he had stressed three essential areas in which progress was needed in the context of the agreed objective to conclude substantially the market-access negotiations by mid-November: firstly, the need to continue building upon the number and quality of offers, if necessary on a conditional basis, through intensive bilateral and plurilateral negotiations; secondly, the immediate need to complete the unfinished agenda in the Tokyo package (MTN.TNC/W/113), both among the Quad countries and between them and their trading partners; and thirdly, the need to devote urgent and comprehensive attention to agriculture and textiles, including market-access related issues in the Draft Final Act (DFA). Where did one stand now, two weeks from the target date of 15 November, in terms of these needs?

4. Firstly, there had been positive movements in the negotiations between a number of participants with new offer submissions as well as revisions and improvements of existing offers. To date, 66 comprehensive and 6 non-comprehensive draft Schedules of concessions from

participants were available representing in aggregate the great bulk of world trade. He expected these figures to improve further by 15 November since a number of participants had informed the Secretariat that they were currently working on new or revised submissions. He urged all participants concerned to ensure timely submission of their offers.

5. Secondly, there had been a lamentable failure to define fully the multilateral market-access package on the basis of the understandings developed last July at Tokyo. Major issues, particularly those related to sectoral proposals and high tariffs, seemed to stand in the way of completing a substantial and balanced package. These obstacles simply had to be overcome. In the priority areas needing comprehensive attention, including DFA-related issues, quiet progress seemed to have been made in agriculture among some participants, although there was no breakthrough as yet. In textiles, concrete solutions had not yet emerged; he encouraged the Chairman of the Negotiating Group on Market Access (GMA) to intensify his efforts to make progress in this area. Unless there was also a substantial outcome on natural resource-based products, a number of participants might not consider that the basis for a satisfactory market-access package existed. While constructive engagement between the major trading partners and the developing countries had been initiated since the last TNC meeting, much more progress needed to be achieved. The Quad countries, especially the United States and the European Community, had a particular responsibility to provide leadership by completing the negotiations amongst themselves and by negotiating market-access offers with other participants. Mutual recrimination was neither useful nor helpful. One way or another, the multilateral process on market access would have to move forward, since too much was at stake to allow the difficulties to deprive the participants of the results of the Round. He appealed to the participants concerned to reach urgent solutions to the outstanding issues.

6. Thirdly, visible and concrete improvements in the market-access area had to be achieved in the next two weeks. In order to provide for a minimum of time to complete the final phase of the negotiations, the GMA Chairman would need to have a well defined approximation of the content, size and final shape of the overall market-access package by 15 November. To this effect, the latter had requested all participants to provide up-dated information on the status of their draft Schedules, including detailed descriptions of substantive improvements resulting from the negotiating process. He himself urged everyone to ensure that this information was made available in full in a timely manner, because this was critical for the successful conclusion of the Round by 15 December.

7. Negotiations on Services had registered further progress during the past two weeks. On matters relating to the texts of the GATS, the Chairman of the Group of Negotiations on Services (GNS) had reported that, with the exception of a very few outstanding issues, the GNS was now very close to having a final text. A further revised text reflecting progress made in consultations in the course of the previous week had been circulated at the GNS meeting on Friday, 29 October, and the GNS Chairman's statement introducing it had been made available (MTN.GNS/48). The latter had referred in his statement to concerns which had been expressed about the intention of a major participant to insert in its Schedule a horizontal limitation on national treatment covering all forms of direct taxation. These concerns had been further underlined at the GNS meeting itself. Separately, he understood that a number of delegations had indicated that additional bilateral meetings would be necessary in order to finalize initial commitments on services. Clearly such meetings should take place as early as possible. He urged participants to ensure that as much as possible of this work was completed by 15 November. The GNS Chairman intended to organize consultations in mid-November on the drafting of Schedules of commitments, bearing in mind the agreement in the GNS that submission

of final m.f.n. exemptions and final Schedules should take place by 26 November. To date, 67 initial commitments offers covering 81 countries had been received. Here, too, he urged all participants whose offers were still outstanding to submit them as soon as possible.

8. The Informal Group on Institutional Issues had been working intensively on the text of the proposed Multilateral Trade Organization (MTO) and the Understanding on Rules and Procedures Governing the Settlement of Disputes. Detailed readings of the texts had served to identify the outstanding issues. In addition to meetings of the Group, its Chairman had met with individual delegations and small groups of delegations with the aim of clarifying positions and considering proposed solutions to these issues. However, the complexity and linkages between a number of the principal issues had prevented the Group from concluding its activities by the end of October as originally envisaged. He had, therefore, asked the Group's Chairman to organize the discussion so as to address all issues which were related to the MTO and dispute settlement and to submit to him by 15 November revised texts of both the Dispute Settlement Understanding and the MTO Agreement. Given that this discussion might touch on global policy issues rather than only technical questions, he suggested that Heads of Delegations consider carefully the appropriate level of representation for this exercise.

9. Turning to the question of the evaluation of the results, he said that prior to the conclusion of the negotiations, this exercise would have to be conducted as per the Punta del Este Declaration, taking into account all issues of interest to developing countries. It was evident that the results of the market-access negotiations had to provide an important basis for this evaluation by the participants, which, again, underlined the importance of the 15 November date in terms of the market-access negotiations. While it was clear that the evaluation was to be conducted by the participants themselves, the Secretariat was working on a concise analytical document to aid the evaluation debate amongst the participants. Assuming the market-access negotiations could be concluded substantially by 15 November, he envisaged that the evaluation should be conducted during the week beginning 22 November.

10. Recalling his own reference at previous TNC meetings to the special concerns and particular needs of the least-developed countries, he said that the ongoing consultations thereon would be accelerated in the coming weeks. In the meantime, the Secretariat had stepped up its technical assistance to these countries in order to help them in the final phase of the negotiations.

11. As to the negotiating process, it seemed to him that time was rapidly approaching when the TNC would need to meet much more frequently in order to monitor and steer the final phase of negotiations. This would require the constant presence in Geneva of all chief negotiators. In addition, the TNC might need to consider whether to establish an open-ended working group and perhaps some other specific groups with the aim of resolving all outstanding issues. His consultations to date, however, had revealed alternative possible approaches and the need for further consultations in this respect. Accordingly, he would be consulting closely with delegations in the next few days in order to elaborate how the final process would work. Following these consultations, he proposed that a TNC meeting be held early the following week to further define that process. Although only 45 days were left to conclude the Round, he reiterated his belief that the Round was still within grasp but that one could not leave too many unresolved issues on the table for the final phase of the negotiations. In particular, he had to urge the Quad countries to advance more rapidly than they had to date on market-access issues, and also to ask Heads of Delegations generally to redouble their efforts to agree outstanding issues, to avoid raising new divisive ones, to eliminate those of lesser priority and to focus on a small number of the most

important issues that remained on the table. If they did that, the Round could be concluded. All participants shared this responsibility.

12. All participants that spoke thanked the Chairman for his progress report and welcomed his assessment of the state of play of the negotiations, as well as his proposals concerning the final stage of the process leading to 15 December. They would actively participate in the consultations he had proposed. They also expressed satisfaction with the efforts made by the three Chairmen of the Groups on Market Access, Services and Institutional Issues.

13. The representative of Mexico, speaking on behalf of the Latin American and Caribbean countries (GRULAC), expressed their most serious concern at the present state of affairs in the Uruguay Round negotiations. Not only were the participants not able to get out of the endemic crisis being faced on a daily basis, but they now had to face new developments which could even further threaten the situation. The first preoccupying aspect was the risk perhaps of not meeting a deadline which only a few months earlier had been agreed as an essential factor to ensure the progress in the overall negotiations, and in particular in those on market-access. In the case of the latter, 15 November had been set as a date by which that part of the overall negotiation had to be concluded with global results both for industrial and agricultural products, including tropical and natural resource-based products. In the countless bilateral consultations on market access, which GRULAC countries had held, particularly with their major trading partners, the pattern had always been the same: on the one hand they had been asked to bind their tariff at the present levels — without being offered any compensation for their respective autonomous liberalization efforts — and also to join in sectoral initiatives in which they did not have any trade interest; and on the other hand, their own requests on products of interest to them had not yet received any favourable response, particularly as regards new or real access. The only noticeable new aspect which had emerged over the last few days was the fact that the major trading partners had launched into a selling campaign of their revised offers based on ingenious statistical tables whereby they hoped to show how one fared better than the other. Unfortunately, these sales efforts could not hide the fact that the Quad countries had not been capable of abiding by the agreement reached in Tokyo in July and that this substantive part of the negotiations was totally bogged down. For the GRULAC, the 15 November, or the week thereof, was still the effective date for global and substantive results to be obtained.

14. As far as institutional issues were concerned, no real results had emerged despite the positive efforts made by the Chairman of the relevant Group. The GRULAC believed that an extended mandate of his Group, convened at high level, might in fact improve expectations. They had submitted a proposal in the Group which was meant to up-date and enhance what was known as the 1966 Decision¹, making it a real alternative for the developing countries. In line with the belief that special and differential treatment should be embodied in something more than mere promises. Separately, one should also not lose sight of the fact that the United States continued to insist on its proposal for negotiating a single protocol instead of the MTO envisaged in the DFA text. In this respect, the GRULAC's position in support of the creation of a multilateral trading organization which was both strong and binding on all of its members had not changed.

15. The GRULAC countries were also concerned at the events that had developed in the area of services and which the TNC Chairman had already described very well. Although a new negotiating text was available, it was equally true that one of the major trading partners had not

¹Procedures under GATT Article XXIII — Decision of 6 April 1966 (BISD 14S/18).

joined the consensus in the important area of the treatment of direct taxation. Furthermore, that partner had openly threatened to present a discriminatory offer on financial services which, if it were to come about, would have very serious effects for the negotiation not only in that particular area but in services as a whole. The GRULAC countries hoped that that partner would in fact shoulder its multilateral trading responsibilities and make a positive contribution to a successful conclusion in this area.

16. The GRULAC countries had to stress the need for an evaluation exercise to be held, not only with sufficient time being devoted thereto, but also on the basis of a reliable analysis which, inter alia, would bring out and highlight a coherent vision of the special and differential treatment for developing countries. The GRULAC, for its part, would carry out its own evaluation in order to ensure that it would in fact obtain a global package of the sort it had been seeking. As regards the process for the final stage of the negotiations, any negotiating format would have to guarantee the effective participation of their countries.

17. The representative of Malaysia, speaking on behalf of the Informal Group of Developing Countries, stressed that there had to be a substantial market-access outcome on products of interest to them. They urged the Quad countries to really forge ahead as quickly as they could, because their countries were worried that on textiles, agriculture and tropical products, electronics, wood products, fisheries and natural resource-based products, not much had been emerging for developing countries. They also stressed the importance of addressing the other related issues, such as amendments with respect to rules, and other preoccupations in other areas. They hoped, therefore, that consultation efforts would be undertaken as early as possible between now and through 15 November. In this respect, he emphasized that there had to be transparency and the opportunity for the full participation of developing countries. As regards recent new proposals, amendments, or concepts, the developing countries were of the view that these were in order only if they were made with a view to contributing to the further progress of the Round. They feared, however, that they would upset an already difficult situation and jeopardize the chance of concluding successfully. With regard to the question of evaluation, he underscored two main aspects: (1) that the reference point for the evaluation exercise had to be the Punta del Este Declaration, and (2) that whatever would be done in the exercise had to be done in a manner that could facilitate a meaningful assessment by all developing countries of the situation with respect to the total package of the Round before taking a final decision thereon.

18. The representative of Brazil recalled his country's oft-stated vital interests in the Round. Brazil maintained high expectations that its very significant efforts in following and promoting the objectives of the Punta del Este Declaration would be matched by its partners, mainly in the area of market access and a more secure institutional framework. In spite of the little progress in market access in the bilateral and plurilateral negotiations, Brazil was confident that the 15 November target date for the submission of draft Schedules could be met. In order to achieve this objective, and taking into account the new offers put forward by major trading partners, a more positive response to Brazil's priority requests was needed. Brazil, for its part, together with its MERCOSUR² partners, was continuously and thoroughly assessing the negotiating picture with a view to enhancing its own offer. As regards agriculture, Brazil considered that full adherence to the principles embodied in the DFA, and in particular that of tariffication, was a fundamental condition for the successful conclusion of the Round and one that would greatly improve some of the offers on the table.

²Southern Cone Common Market (Argentina, Brazil, Paraguay and Uruguay).

19. As regards institutional issues, he pointed out that the DFA texts on the MTO and the dispute settlement understanding had already been well developed, long before the Informal Group had been established, as a result of previous intense technical work, negotiations and consultations. They were sufficiently ripe to allow for a rapid conclusion of negotiations once the underlying major political difficulties were resolved. Brazil still believed this was true. However, the situation had not developed in this way thus far, because, in its view, the main political difficulties remained unresolved. Without agreement on these issues there was, regrettably, little room for drafting acceptable solutions. The broadened scope of the multilateral trading system, with the inclusion of Services and TRIPs, had to rest on a reinforced normative foundation which itself depended on the degree of the commitment by all participants to the results of the Round. The resistance to better market access on the one hand, and to a better institutional framework on the other, might well represent a setback for the common effort of participants to safeguard and reinforce the multilateral trading system. It was difficult to see how countries like Brazil would be able to accept and further a policy of open markets and additional disciplines in the absence of a strong set of rules for the regulation of international trade.

20. As regards the important area of services, in which one could be satisfied that considerable progress had been made, Brazil thought that the GNS had worked very well, in particular with respect to the framework agreement (GATS). He referred to the statement made at the GNS meeting on 29 October by the representative of the US Treasury indicating that his Government was indeed considering the adoption of a so-called two-tier approach with respect to its commitment in financial services in the Uruguay Round, the declared objective being to open other partners' markets. While not having received details of the proposal, Brazil wished to make some comments based on that statement. First of all, this approach posed major problems. Brazil did not see, for example, how two different levels of commitment could be undertaken without changing completely the structure of the draft GATS. More important, however, were the implications of this approach to the world's financial services policies and to the present negotiations in particular. In Brazil's view, this initiative appeared to arise from a fundamentally equivocated evaluation of the situation and could lead to market closures instead of liberalization: a country which saw its suppliers being potentially discriminated against might have to abandon any liberalization plan. Moreover, the United States' threat completely disregarded the globality of the Uruguay Round negotiations.

21. Brazil remained fully committed to work with determination under the Chairman's guidance to conclude successfully all aspects of the negotiations as soon as possible. As to the outlined process, he thought that the Chairman had generally approached in a very satisfactory manner the concepts of globality, transparency and finality in the negotiations which were the references by which any exercise in the process that could be devised at this point had to be judged.

22. The representative of Canada said that the Chairman's description of the current state of play in the negotiations was a timely reminder of how much remained to be done in the coming six weeks. Major results in these negotiations would require major decisions on many issues, and none was more critical to the success of the Round than market access for goods. Canada was certainly not alone in feeling frustrated seeing the months pass by without broad-based progress being made. After a period of stalemate Canada had naturally been encouraged by the Tokyo agreement on market access, which represented a base to be built upon and a commitment at the highest political level to get the Round moving again. While Canada had been working hard to build on this, it had not detected the same forward momentum in all participants. In certain areas of the negotiations, some countries appeared to have been taken hostage to the inability of the

United States and the Community to settle their bilateral differences. Notwithstanding this, Canada was pursuing bilateral negotiations, but even these could be stymied by the trans-atlantic impasse. It was clear that more leadership was needed from the United States and the Community in this area lest their failure to conclude the negotiations became an excuse for many to avoid putting forward their best offers. In the frankest of terms, Canada's offer on market access for goods had been made in the expectation that the Tokyo platform would serve as the beginning, and not the end, of these negotiations.

23. The Chairman had accurately included in his summary the strong emphasis some participants placed on the need for greater liberalization in trade in resource-based products. Canada, obviously, shared that point of view. If further progress was not made in this area, and if concessions on market access remained skewed in favour of industrial products — at the expense of resource-based goods products — Canada would then be forced to consider scaling back a part of its offer in order to establish a balance of commercial interests. He sincerely hoped that Canada would not be put in such a position. On the positive side of the market-access negotiations, the Community had presented a new offer. While this offer was an important net improvement overall, it had serious omissions and short-comings in the resource sectors of prime interest to Canada, such as paper and wood products — for which Canada, and others, continued to favour zero tariffs — and non-ferrous metals and fish — for which Canada had a harmonization approach at low rates. Canada's negotiators continued to meet with their Quad partners, and many others, to see what balances could be struck. Developing-country partners had also made constructive offers and deserved gratitude for helping the negotiations proceed toward conclusion. In agriculture, the key again was market access. Canada remained disappointed with the unwillingness of many of its partners to offer real concessions. If there was to be a balanced result in agriculture, something broadly equivalent to what was proposed in the DFA was needed. Canada believed that its agricultural offer fully met this test. However, Canada remained of the view that import measures consistent with the disciplines of a clarified and strengthened Article XI should not be subject to tariffication, provided they were accompanied by meaningful access commitments fully in conformity with the trade-liberalizing objectives of the Round. In the services area, Canada was encouraged by the progress made. A framework agreement was now virtually complete and Canada would work with others to secure solutions to the outstanding issues, a number of which were of particular importance to Canada. The short-coming in the negotiations was the quality of initial commitments, especially in financial services.

24. While Canada attached great importance to the work of the Group which was designing the form and the function of the new MTO and integrated dispute settlement system, it was concerned, however, that the creativity of some was not being matched by the flexibility of others, thus denying the participants a resolution of many longstanding issues. Progress was further being stymied by the introduction of new issues. As time was not on the negotiators' side, efforts had to be focused on the common objective of a more effective dispute-resolution system and an institutional structure that matched the stature of this agreement. The progress in some of these areas stood in stark contrast to the lack of success in market access for goods. Canada stood ready to play its part to achieve an outcome that would be welcomed by all. He informed the Committee that a new government would be coming into office in Canada within the next few days. He had no doubt that the new Prime Minister and his Cabinet would have as one of their highest priorities the review of the state of play of the UR negotiations and the charting of Canada's course in them. He noted with satisfaction, however, that the UR negotiations had not been at issue in Canada's recent elections, nor historically had MTNs been so. He felt confident, therefore, that the new Government would support efforts to successfully conclude the Round.

25. The representative of Japan said that, for its part, Japan would continue to actively engage itself in both bilateral and multilateral market-access negotiations in the next two weeks, with the objective of submitting a comprehensive and substantial revised Schedule. Since Japan's present offer in the industrial sector already amounted to a 60 per cent reduction in tariffs — well over the Montreal Mid-Term Review target of one-third tariff reduction — its margin for further improvement was therefore very limited. Nevertheless, it would do its utmost to further improve its offer. As to the Chairman's appeal to the Quad countries to make further progress on the basis of the Tokyo agreement, while Japan agreed that they should further contribute to the progress of market-access negotiations, he stressed that parallel negotiations on a bilateral basis with all other countries were just as important. As far as the Quad process was concerned, Japan attached just as much importance to the enlargement of the market-access package, by further adding to the zero-for-zero group paper and pulp, scientific equipment — two sectors carried over from Tokyo for further discussion — and electronics, and also by the inclusion of non-ferrous metals in the harmonization group. Paper and pulp and non-ferrous metals were important for many countries which exported resource-based products. In spite of difficulties faced by Japan's industries in these sectors, it had decided to join in the US-Canada proposal for harmonization of non-ferrous metals. Japan strongly urged the European Community to participate in the elimination or harmonization of tariffs in these four sectors in the interest of a larger package. Regarding agriculture, Japan's most difficult area of negotiations, its position on the DFA was well known. Nevertheless, Japan had been engaged intensively and was making progress in bilateral and plurilateral negotiations. It intended to continue such efforts to resolve outstanding issues in a mutually acceptable manner.

26. Japan was satisfied with the intensive work done to consolidate the text of the services agreement, and that one was very close to a final agreement. On substance, however, serious substantial problems remained and one still had a long way to go. While most participants were seriously undertaking the improvement of offers, it was deeply regrettable that the United States had put forward a complete reservation on national treatment regarding direct taxation. Such a reservation rendered valueless the offer on establishment and was absolutely unacceptable to Japan. There was no conceivable justification that the United States could present for such a reservation when no-one else was putting forward anything even remotely similar. He strongly urged the latter to withdraw that reservation, lest the services agreement became meaningless. On MFN exemptions, he reiterated the need to uphold the very principle — that of the most-favoured-nation — which was critical for multilateral trade. All the lists to be submitted by 5 November had to be limited to the necessary minimum, and one should not seek broad exemptions encompassing a whole sector or a sub-sector. He also registered Japan's concerns with the reported idea of the so-called two-tier approach by the United States, as well as Japan's rejection of any form of discrimination. The task remaining in services was the further improvement of offers and Japan intended to make further efforts towards this goal. It continued to be concerned with the absence of meaningful offers on the important sectors of maritime transport and audio-visual services. While improved offers from developing countries on the former had been noted, one major participant had yet to respond. Any offer in auxiliary services alone, which was not accompanied by ocean shipping, would fall far short of Japan's objective. Japan was deeply concerned with the United States' attitude in the services negotiations and strongly urged it to reconsider its position, particularly in three key sectors, i.e., maritime transport, financial services and direct taxation. It was regrettable that that very country which had taken the initiative in launching negotiations of new areas, including services, was now about to contribute to the collapse of these negotiations.

27. The representative of Egypt recalled the concerns expressed by the African Ministers at their recent meeting in Tunis (MTN.TNC/W/118). He also said that Malaysia's statement on behalf of developing countries amply reflected Egypt's concerns. However, Egypt was also particularly concerned at the recent change in the rules of the game, for which very little time remained to adapt. The game to which he referred, of course, was that of having had the Draft Final Act of 1991 accepted as a negotiating document, even if not as a final package. It had been understood that this package had to be looked at and cleaned up, albeit with the minimum of changes. He wondered, however, what was meant by minimum changes. Egypt wanted to see these changes and to take part in the discussion thereon. At only six weeks away from the 15 December deadline, that discussion had not yet taken place. In the DFA, participants had accepted to include sectors that no-one could have imagined as acceptable back in 1986, such as Services, TRIPs, and changes to the rules of the GATT, in a manner which until then had been unacceptable. All these had been accepted as a single undertaking, as a whole package. Recent studies of that package had identified some countries, including his own, as being net losers and Egypt wanted to minimize any further losses. Yet still other things were arising. The state of play, as Egypt could make of it from recent rumours — although one should not base an assessment on rumours — went as follows.

28. For three years in a row, one had had to wait for a breakthrough in agriculture. The type of breakthrough and the gains and losses thereof were still unknown, as was the fate of the text on net-food developing importing countries, which Egypt had wanted to be looked at again and perhaps amended. While there had been success and progress in services, and a final text could possibly now be acceptable, Egypt was still concerned about pricing and telecommunication. That concern, openly voiced by Egypt, had not been taken seriously by its partners. In its usual spirit of compromise, Egypt had not opposed the texts or the agreed changes, on the understanding that its concerns on telecommunication should also be resolved. Also of serious concern was the new US approach which posed a serious threat to the basic principles in services, i.e., m.f.n. and non-discrimination with regard to national treatment. A third indication of the change in the rules of the game was to be found in the institutional issues in which two dangers had recently surfaced. One of them — never expressed before — was the attempt at adding new issues which was tantamount to overloading the boat, thus preventing it from reaching the shore; another was the MTO. Weaker and smaller countries such as Egypt had entered the game to strengthen the international trading system which represented their only means of protection. There was a rumour that there might not be an MTO, but rather something else. Egypt wanted to know what that something else was, sooner, rather than two weeks from the end of the Round.

29. As regards evaluation, his view differed from that of the Chairman since he believed that such an evaluation was to be done not only by every country, but also collectively. Moreover, the evaluation was not a goal in itself, but it meant that if the developing countries found the deal to be unfair, then it had to be renegotiated. Egypt was also concerned by the deferred date for the exercise and wondered whether there would be enough time to carry out this evaluation in the manner to which he had referred. Whose responsibility it was to carry out the evaluation was not what mattered. He simply did not want to be faced with a 'fait accompli', or with too little time left for a proper exercise. In concluding, he said that there had also been a rumour concerning a revised DFA text. If this was to be the case, he would take it very seriously and would want to be consulted as, he was certain, would everyone else.

30. The Chairman said that what really mattered was to get down now to some of the issues that had been raised and get responses to them.

31. The representative of the United States urged participants to move forward and deal with the large amount of work that remained to be done in such a short period. He interpreted the Chairman's request to bring to Geneva on a full time basis the capital-based negotiators who were important in moving the talks ahead as an important direction to all. The United States was as disappointed as anyone that the market-access talks were not further along, that the lack of progress in certain negotiations had led the United States to develop certain new ways of dealing with longstanding frustrations such as in the services negotiations, and that the lack of progress to date in the Institutions Group had left the United States with no alternative but to reaffirm its inability to conclude the Round on a basis of a proposed MTO agreement which was, at this stage, fundamentally flawed. He did not wish to enumerate all of his delegation's complaints and frustrations, but merely wanted to say that the United States, for its part, was ready to get on with the work.

32. The representative of Morocco endorsed the statement made by the representative of Malaysia on behalf of developing countries. He welcomed the fact that since the last TNC meeting improvements had been made by some participants to their initial market-access offers. This positive trend would help to globalize the negotiations. On Services, he hoped that the final outcome would guarantee the multilateral nature of the agreement with a balance of rights and obligations. He thought that the Group on Institutional Issues had done useful work in identifying and clarifying issues and agreed that this Group should continue its work. He concluded that despite the progress, due to shortcoming in areas such as agriculture and textiles, the present state of affairs did not constitute a solid and balanced basis for a package which would provide advantages for all participants.

33. The representative of Australia said that the Chairman's report, and the various Ministerial Declarations referred to therein, highlighted the critical need for the process of negotiations to be speeded up. He said that in relation to the market-access negotiations, two elements were essential to Australia. The first was an acceptable package on resource-based products, especially non-ferrous metals, and preferably at zero-rate duty, to enable Australia to conclude its market-access negotiations on industrialized products with the Quad countries and with its other major trading partners. He, too, underlined the responsibility of the Quad countries for moving the market-access process forward. The second element essential to Australia and all members of the Cairns Group, was the need for rapid progress in market-access negotiations with Japan, the United States and the Community, on the basis of comprehensive tariffication without exceptions. He supported the Chairman's remarks on the need for a strong parallel process, with a higher level of participation, to conclude all elements of the negotiations relating to the MTO and the integrated dispute settlement procedures. He hoped that that would suffice to convince the United States of the necessity of an MTO. He said that it was important to further advance the market-access negotiations on industrial products, as well as the negotiations on agriculture and services. He agreed that the Chairman should continue to hold consultations regarding other outstanding issues. Finally, on Services, he supported the remarks of other delegations on the importance of safeguarding the MFN principle.

34. The representative of Pakistan said that his delegation derived comfort from the fact that substantial progress had been achieved in the area of services and that the Group on Institutional Issues continued to advance slowly but surely. He was convinced that solutions of the issues relating to the MTO and integrated dispute settlement texts were possible in the extra time announced by the Chairman. In the market-access negotiations, despite some positive and welcome developments, his delegation still considered that the package remained unbalanced, particularly on agriculture and textiles. He said that on the basis of the agreements on agriculture

and textiles included in the DFA, Pakistan's market-access gains in the broader sense of the term would at best be marginal. He added that the informal consultations conducted by the Chairman of the Group on these areas had not shown any discernible movement. Satisfactory clarification of some important elements, such as domestic support in agriculture, was still lacking. In the field of Services, reciprocal offers from major trading partners under the so-called "fourth mode" supply continued to be rather lean. He expressed concern over the announcement of a major participant to place a horizontal reservation on national treatment with respect to its taxation régime and to adopt a so-called dual approach in financial services, and urged a reconsideration of the approach. As to the overall process for the final stage, he looked forward to the Chairman's proposal and stressed the need for transparency and full participation. He commended the support and assistance that was received by the developing countries from the Secretariat, and hoped for a continuation and reinforcement of such support.

35. The Chairman confirmed that the Secretariat would continue to provide the necessary technical support.

36. The representative of Bangladesh, speaking on behalf of the Least-Developed Countries, supported the views expressed by the representative of Malaysia. He said that the least-developed countries continued to remain very seriously concerned about the DFA text on special and differential treatment and sought a fair and balanced translation of the political commitment made to them as a condition for building consensus on the results. He again expressed appreciation for the technical assistance received from the Secretariat. The least-developed countries, which continued to have serious technical problems about their commitments in market access and in services, were grateful for the understanding and sympathy with which participants had been dealing with their proposals.

37. The representative of Korea, while noting that negotiations were running behind schedule in all areas, welcomed the positive developments in the services negotiations, particularly with respect to the text and the substantive bilateral negotiations on initial commitments. Korea had submitted its revised draft offer. However, his delegation expressed concern about the emergence of some new differential approaches in the services area at this late stage of the negotiations. As regards institutional matters, he hoped that the extension of the mandate of the relevant Group would allow it to conclude the work. In the industrial sector, Korea had decided to participate in six out of eight sectors and to increase the scope of its participation in chemical harmonization, bringing its overall tariff-reduction ratio to over 40 per cent and the scope of bindings to 84 per cent. Korea, however, was concerned about the GMA Chairman's request that the updating of market-access concessions for agricultural products should be in keeping with the framework set out in the DFA. Korea, as an agricultural importing country, could not abide by such a request so long as the DFA text on agriculture — or a modified, amended, footnoted or interpreted version thereof — reflected only the interests of prosperous agricultural exporting countries. He underlined Korea's intention to engage in a concerted dialogue to find a solution to its problems and thought that Korea's difficulties with the concept of comprehensive tariffication should be taken care of as soon as possible in an appropriate manner to enable it to improve or update its offer.

38. The representative of Sweden, speaking on behalf of the Nordic countries, expressed concern about the limited progress in the market-access negotiations. While realizing that difficult and sensitive questions were involved, the major participants needed to finish the agenda set by the Tokyo Agreement, as an essential element for real and substantive negotiations involving all trading partners. He said that although time was short and despite problems concerning tariff

peaks and sectors such as steel, fish and resource-based products, he still hoped that sufficient time remained to complete a substantial market-access package by the set target date. In the field of services, on the positive side, he noted the revised version of the Agreement and felt strongly that the final text was close at hand. He also noted continued progress in the negotiations on initial commitments, including improved offers in financial and telecommunication services and registered possible movement in the crucial maritime sector even if a satisfactory outcome covering all three pillars by all parties was not yet at hand. On the negative side, he noted the approach of a major participant to financial services involving two levels of commitments and an m.f.n. exemption on the one hand, and the call for measures related to direct taxes on the other. He also expressed dissatisfaction with the situation regarding the so-called scope issues. On institutional issues, though he welcomed the fact that some progress had been made in the Informal Group, he noted, nevertheless, that core issues remained and thought it was appropriate that the work be pursued along the lines proposed by the TNC Chairman. With respect to the overall outstanding issues, the Nordic countries also supported the latter's suggestions.

39. The representative of Tanzania said his delegation shared the concerns and views expressed by Malaysia on behalf of the developing countries and by Bangladesh on behalf of the least-developed countries. He urged that commitments made by Ministers at Punta del Este and at Montreal be translated into concrete provisions in the Uruguay Round so as to facilitate and serve to integrate the least-developed countries into the multilateral trading system through the promotion of their trade and development in general. In this context, he recalled the Tunis Declaration of African trade ministers (MTN.TNC/W/118). He said several issues discussed in the Informal Group on Institutional Issues were of concern to the LLDCs, particularly Article XI of the MTO text, which in its final form should be balanced, fully taking into account the specific situations of the least-developed countries.

40. The representative of Switzerland expressed his delegation's feeling of frustration at the lack of readiness in the discussion on market access with trading partners, some of whom were expecting other signals from the major trading partners before moving forward. He also thought it was increasingly important to bear in mind the priorities flagged by the Chairman. He said that over the last few weeks, progress, while seemingly very stilted, appeared nevertheless to be substantial. With respect to the responsibilities in the framework of negotiations, he said that all countries represented in the meeting were responsible, but some were more responsible than others. Nevertheless, it was important to emphasize the collective responsibility of all to find the ways and means to conclude this Round. In that context, he was concerned that the majority of participants were waiting for the majors to move first before they themselves would move and thought that at this stage, conditional offers should be forthcoming. His delegation hoped for a substantive result which would be realistic and pragmatic, since the rules and institutions contained therein would set the basis for contractual relationships over the next twenty or thirty years to come.

41. The representative of Hong Kong underlined the Chairman's appeal to the Quad countries — particularly the United States and the Community — to advance more rapidly in making progress in market access and on heads of delegations to redouble their efforts and avoid new divisive issues. He emphasized the importance of rules, including dispute settlement and anti-dumping, in the final package, since it would weigh heavily in Hong Kong's evaluation of the overall package. He expressed very strong concern over the United States' position of a non-m.f.n. approach to financial services, which he believed if left unchecked would jeopardize progress made so far in financial services offers, and in services offers in general, and could impact seriously the final outcome of the services negotiations. He reiterated his delegation's

commitment and active participation to help bring the Uruguay Round to a successful and balanced outcome, which needed to include the establishment of a strong institution capable of implementing the substantive results of the Uruguay Round, and administering a credible and effective dispute-settlement mechanism.

42. The representative of Tunisia highlighted the essential elements contained in the Declaration adopted at Tunis by the African Ministers (MTN.TNC/W/118), such as the importance of tropical products and natural resource-based products in the market-access negotiations, the commitments regarding least-developed countries, the situation of net food-importing countries, the efforts undertaken by developing countries towards trade liberalization and greater integration of their economies in the overall world economy, the need for the institutional framework to take into consideration the particular needs of African countries, and the criteria to be used for the evaluation exercise. His delegation fully subscribed to Malaysia's statement, as well as to the points made by Pakistan with respect to technical assistance from the Secretariat.

43. The representative of the European Communities said that despite the difficulties which the Quad members had had with the implementation of the Tokyo scheme, the Community had laid down in detail how it intended to implement it. He understood that the other Quad members would be doing the same very soon. Under the Community's offer, tariff reductions would take place vis-à-vis a great majority of all countries at rates between thirty to sixty per cent and would double the reduction rate compared to the previous offer. He hoped that the other partners would make similar efforts and, in this context, he had been encouraged by recent bilateral discussions. He recalled that non-tariff measures were also in the Punta del Este mandate, and said that it was no use to reduce tariffs if non-tariff measures remained in place. He also referred to bindings, which to a large extent were vital for the type of trade environment the Uruguay Round wanted to create. He noted that in many countries an important gap existed between applied rates and base rates. As these countries would normally not have the intention to raise them again, it would not be an enormous economic effort to bind them. While the credit for such action could be important, it could also help to convince the Community's constituencies that something had to be done in this Round. He said that work on the draft text on Services had been very well done. He shared the preoccupations which had been expressed in this sector and more particularly, in financial services. Any non-m.f.n. solution was not acceptable. He therefore thought that the best answer probably lay in making many and substantial commitments so that there would be no sense in having a solution which would not be m.f.n based. On institutional issues he agreed with the Chairman's suggestion and thought this would be a good preparation for the final discussions which would have to be based on two basic principles, namely liberalization of trade in goods and services on an m.f.n. basis, and strengthening of rules and disciplines of the multilateral trading system.

44. The representative of Singapore, speaking on behalf of the ASEAN contracting parties, welcomed the Chairman's announcement to conduct consultations concerning outstanding issues and looked forward to participating in them. He said that the ASEAN was concerned with reports about plans by the United States to adopt a non-m.f.n. approach on financial services and its plans to seek horizontal limitations on national treatment in taxation. He hoped that the consultations scheduled between the ASEAN governments and the United States would lead to a greater understanding of the ASEAN concerns. Finally, he expressed concern over the lack of progress in several areas of interest to ASEAN, including textiles and agriculture.

45. The representative of India said that the consultations on market-access related issues in agriculture and textiles had resulted in some kind of a constructive engagement but nothing more. On services, he noted the progress leading towards the finalization of the draft services text, but expressed some concerns relating to the pricing policy issues therein. He hoped that despite the reluctance on the part of negotiating partners they would accept to engage in a debate on this subject. Otherwise, he intended to take up this issue at length in the TNC itself. He also shared the concerns expressed about certain developments which would affect the services negotiations, including the framework, as a result of some moves by the United States. A horizontal limitation on national treatment concerning direct taxation would directly affect investments, and render at least the investment part of the commitments meaningless; furthermore, the adoption of a non-m.f.n. approach would run counter to the globality of the exchange of concessions in services. He said that the Group on institutional issues was dealing more with peripheral rather than substantive and core issues. He looked forward to the TNC Chairman's consultations on the final process to arrive at a concrete way of dealing with these and other substantive issues.

46. The Chairman said that it had been reported to him that delays in the completion of the work of the Group on Institutional Issues arose from some delegations putting forward and debating at considerable length purely technical issues without getting to the core issues. That was the point he had tried to make in his opening statement in requesting the heads of delegations, whose responsibility it was, to direct efforts to the core political issues, and not to technical and legalistic issues.

47. The representative of Myanmar said his delegation was encouraged by the Chairman's remarks concerning technical assistance for the LLDCs. He felt that current negotiations did not seem to adequately take into account the Punta del Este commitment with respect to the LLDCs. With a view to demonstrating its willingness to contribute towards the success of the Uruguay Round, Myanmar had tabled a services offer last April. While Myanmar would do its best, as Bangladesh and Tanzania had stated, it thought that the concerns of the LLDCs should be taken into account to the fullest extent possible.

48. The representative of Cuba said that his delegation shared the views expressed by Mexico and Malaysia. He expressed his concern over the fact that certain fundamental issues remained unresolved and that the interests of the developing countries for improved access had not been fully taken into account. He said that his country continued to consider the DFA as a basis for the conclusion of the negotiations and feared any exercise that might be undertaken with the aim of introducing unbalanced and inequitable changes to this Draft. Cuba had submitted its offers on services and market access. It had in fact made a revised offer in services. In the market-access negotiations Cuba hoped to consult with participants whose markets were of interest to its products; in this respect, he hoped to be able to obtain a copy of the latest proposal made by the Community.

49. The representative of Madagascar supported the statements made by Tunisia and Bangladesh. As a least-developed country, Madagascar had taken the risk of submitting initial commitments in trade in services and in market access. In making these conditional offers, Madagascar hoped that its trading interests would be taken into account. It expected to see clear and sufficient opening of markets from trading partners other than its traditional ones. Regarding trade in services, it hoped to see an opening of markets in areas such as professional services, particularly in terms of national treatment. Finally, Madagascar wished to thank the Secretariat for the satisfactory quality of its technical assistance.

50. The Chairman noted that various rules of engagement had not been fulfilled to the fullest at the present meeting. He thought that that should not be a repeatable phenomenon. If the TNC was to be a meaningful body in terms of the conclusion of the Round and future meetings more efficient — as he and everyone else hoped and without in any way preventing participants from making vitally important points — he considered that shorter statements were perhaps more in order. He announced his intention to hold another TNC meeting in the coming week, and hoped that during the intervening period all would reflect about the process that should be pursued in bringing the Round to a satisfactory conclusion.

51. The Committee took note of the statements.