

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.TNC/W/125
13 December 1993

Special Distribution

(UR-93-0236)

Trade Negotiations Committee

Original: English

COMMUNICATION FROM THE EUROPEAN COMMUNITIES

The following proposal, dated 12 December 1993, is being circulated at the request of the European Communities.

Proposal concerning the Understanding on the interpretation of Article XXIV
of the GATT Background

1. In situations where the participants have not been able to reach formal conclusions with regard to Article XXIV-type agreements, the overall conformity of these agreements with the GATT can presently be questioned at any moment through the Dispute Settlement procedure (Article XXIII:2). From a systemic point of view, this means that even after years of implementation of an economic integration agreement, duly notified and examined by the GATT, no legal security is guaranteed for such agreements vis-à-vis GATT.

2. The Uruguay Round participants, signatories of the present proposal¹, do not agree that under paragraph 12 of the Understanding on the Interpretation of Article XXIV of the GATT panels could question the conformity of existing customs unions and free-trade areas, as well as interim agreements leading up to customs unions and free-trade areas as such, when such agreements have been notified to the CONTRACTING PARTIES and the latter have not made specific recommendations with respect to such agreements.

3. The European Communities and the other Uruguay Round participants signatories of the present proposal believe that this situation would be best addressed by amending paragraph 12 as indicated below:

Proposed amendment of paragraph 12 of the Understanding on the Interpretation of Article XXIV
of the GATT

"12. The dispute settlement provisions of the General Agreement may be invoked with respect to any specific measures arising from the implementation of those provisions of Article XXIV

¹EC, Mauritius, Jamaica, Morocco, Uganda, Zaïre, Côte d'Ivoire, Dominican Republic, Ghana, Trinidad & Tobago, Senegal, Cameroon, Algeria, Tunisia, Egypt, Zimbabwe, Tanzania, Hungary, Romania, Zambia, Cyprus, Malta, Madagascar, Israel, Czech Republic, Slovak Republic, St. Vincent and the Grenadines, Nigeria, Antigua & Barbuda.

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relating to customs unions, free-trade areas or interim agreements leading to the formation of a customs union or free-trade area. Such recourse to the dispute settlement provisions, however, shall not be allowed to question the conformity with GATT of existing customs unions, free-trade areas or interim agreements leading to customs unions or free-trade areas which have been notified to the CONTRACTING PARTIES, as long as the CONTRACTING PARTIES have not made a specific recommendation under Article XXIV:7 of the General Agreement".

Proposal of the European Communities

4. The European Communities recognize that this is a complex and politically important matter. Since we are so near the conclusion of the Round, the Communities are willing not to pursue their proposal now, on the basis that Uruguay Round participants would agree that this matter be discussed in the contracting parties immediately after the conclusion of the negotiations in the Uruguay Round.