

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5827
5 July 1985

Limited Distribution

Original: English

SUBMISSION BY THE NORDIC COUNTRIES (FINLAND, ICELAND, NORWAY AND SWEDEN) ON FUTURE TRADE NEGOTIATIONS IN GATT

The following communication, dated 4 July 1985, has been received from the delegation of Sweden on behalf of the four Nordic countries (Iceland, Finland, Norway and Sweden) with the request that it be circulated to all contracting parties.

1. The idea of a new round of multilateral trade negotiations is now being widely discussed among GATT members. Submissions and statements on the subject have been made by a number of countries, i.a., at the GATT Council meeting on 5-6 June and at the IBRD Development Committee meeting in April. It has been suggested that further submissions might facilitate the discussions on the subject in GATT. This submission by the Nordic countries is made in an effort to contribute constructively to the ongoing dialogue.
2. The Nordic countries have on many occasions expressed their deep concern about the ongoing erosion of the multilateral trading system. Protectionist pressures are strong and mounting in many countries despite the fact that an economic upturn has been registered on the global scale and world trade has expanded. There is a growing tendency towards bilateralism in trade relations and restrictions of trade outside the framework of GATT rules. The dangers which these developments represent must not be underestimated. The Nordic countries firmly believe that all countries, not least the smaller trading nations, would stand to lose from such a development. An initiative to break this trend should therefore be taken as soon as possible. It is widely recognized that the current GATT Work Programme covers most, if not all, of the crucial issues that have to be tackled in order to strengthen the GATT system. Ambitious mandates have been agreed upon in many areas and some progress has been made. It is becoming increasingly evident, however, that we will not make further progress without new initiatives. All countries seem to agree on the need to invigorate the work.
3. The Nordic countries believe that a new round of trade negotiations in GATT is the best way to provide a stimulus to the implementation of the GATT Work Programme and to open the way to further progress. Experience has shown that a broad negotiating framework is required in order to mobilize the political will necessary for countries to engage in substantive trade negotiations. A broad framework offers possibilities for trade-offs and paves the way for a wider understanding among various domestic interest groups for a more open trading system. It would certainly help governments to resist protectionist pressures.

4. It is essential that elements of interest to all countries, both developed and developing, are included, so as to achieve balanced results at the end of the negotiating process.

5. In the Nordic countries' view, the possibilities to carry through a successful round of trade negotiations would be enhanced by the strict observance of standstill commitments. In this connection, the Nordic countries reaffirm their commitment as set out in the declaration from the meeting of Heads of EFTA governments in Visby in May 1984. The Nordic countries also believe that further efforts must be made to fulfill the roll-back commitments made in GATT and elsewhere. A new GATT round would facilitate progress to dismantle trade restrictions.

6. The Nordic countries believe that the overall objectives of a new GATT round should be the following: to maintain and reinforce the multilateral trading system; to promote further trade liberalization; and to develop international rules and disciplines on new trade policy issues.

7. Action necessary to accomplish these objectives might be classified under the following broad headings: "systemic" issues; market access; and "new" issues.

The following is an indicative list of specific issues under these headings which the Nordic countries believe will have to be dealt with in a new round. The list is not exhaustive and might be further elaborated as discussions in GATT proceed.

"Systemic" issues

Negotiations on safeguards have been going on for a very long time without much progress. If any progress is to be made, it will have to be sought in a broader framework of negotiations. A round would provide the wider context within which long-term structural developments could be taken into account. In order to facilitate efforts to reach a comprehensive understanding in accordance with the 1982 Ministerial Declaration, the Nordic countries would like to achieve greater transparency and multilateral surveillance of existing and new measures.

One special problem which requires an early solution is the phase-out of the so-called grey area measures. These measures will probably have to be dealt with in several contexts during negotiations, safeguards certainly being one of them. A pragmatic approach seems called for in order to achieve early progress in this pivotal area.

The Nordic countries believe that one of the tasks in a new round will be to find a comprehensive solution to the problems in world agricultural trade. The work should be carried out on the basis of the 1982 Ministerial Declaration and the recommendations accepted by the 1984 session of the CONTRACTING PARTIES which should provide a balanced and realistic point of departure for negotiations. In our view the negotiations should focus on elaboration of present GATT rules, rather than setting up new ones. The

Nordic countries firmly believe that full account must be taken of the specific characteristics of the agricultural sector in the elaboration of such rules. It seems clear to us that a mutually acceptable solution in agriculture can be achieved only within a broad negotiating framework.

It is generally recognized that non-tariff measures are proliferating and have adverse effects on trade. In this context the Nordic countries consider it an important objective to enlarge participation and to enhance the level of commitment in the MTN codes dealing with non-tariff measures. Developed and developing countries both could make useful contributions in this area.

As regards possible further elaboration and improvement of the existing codes, the Nordic countries attach importance to the current negotiations on the government procurement code and to the further elaboration of the subsidies code.

For non-tariff measures not covered by the codes the scope for multilateral discipline should be further explored.

Market access

Progress on "systemic" issues could, both directly and indirectly, result in improved market access. In addition, it is important that a more specific effort be made to improve market access.

Negotiations on market access could be based on requests and offers, including both tariffs and non-tariff barriers. Within the general framework of negotiations particular attention should be given to matters of interest to developing countries, especially the least developed among them. Participating countries would be expected to make reciprocal commitments to the extent that their level of individual development and financial and trade needs would permit. Consequently, the Nordic countries would envisage to present requests to both developed and developing countries.

"New" issues

The interest of the Nordic countries in GATT work on trade in services is prompted mainly by the following considerations.

The service sector and invisible trade are of great and growing importance in the world economy at large. Many service sectors are already today subject to government regulations which affect trade. It is likely that technological change will bring about increasingly rapid structural adjustment in the future. Trade in services, which is often intimately linked to high technology, will be highly affected by this development. There is a risk that governments will respond to such change by means of regulations that affect trade. In many cases, it must be recognized that national regulations exist to safeguard legitimate precautionary interests (national security, personal privacy, etc.). The Nordic countries are

most interested, however, in developing a multilateral discipline which will counteract protectionist and arbitrary elements in regulations concerning trade in services.

Services are increasingly becoming integral elements of goods transactions, which creates a risk that barriers to trade in services also will restrict trade in goods. This is one important aspect which suggests a need to explore a discipline for services that is compatible with the international rules governing trade in goods.

Like most other countries whose economies are dependent on trade, the Nordic countries will continue to face growing demands for a rapid structural adjustment of their economies. Wider opportunities for international trade in services would facilitate the accomplishment of this process in a socially acceptable manner, and would consequently also create further scope for the liberalization of trade in goods.

It has been suggested that negotiations in the field of services should be conducted separately from negotiations on trade in goods. The Nordic countries consider that this idea deserves close consideration.

GATT work on trade in services will have to include an analysis of statistical problems, questions of definitions and substantive issues of both general and sector-specific nature. A main feature in these analyses should be to identify national regulations affecting trade in services and to clarify the motives behind these. Furthermore it should be explored to what extent the existing rules and principles of GATT are relevant for trade in services generally.

GATT negotiations on trade in services based on this work should aim at creating a multilateral agreement which would provide a general framework for discipline, transparency and for future liberalization of trade in services.

Trade in counterfeit goods is becoming a considerable problem in international trade. It seems that the present international rules have not been able to cope effectively with this problem. Without prejudice to action which may be undertaken in other international bodies, GATT is an appropriate forum for dealing with the trade aspects of counterfeiting. In the view of the Nordic countries an international framework for actions to be taken against trade in counterfeit goods is needed. Measures taken unilaterally would easily lead to imposition of new barriers to legitimate trade.

8. Procedure

The Nordic countries support the convening of a meeting of senior officials in GATT in September to undertake an in-depth exchange of views on contracting parties' negotiating priorities and to discuss the modalities and timing of a new round. Participation in such a process would not prejudice the position of any contracting party with regard to a new round.