

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5833
8 July 1985

Limited Distribution

Original: English

SUBMISSION BY JAPAN ON THE NEW ROUND OF TRADE NEGOTIATIONS

The following communication, dated 8 July 1985, has been received from the delegation of Japan with the request that it be circulated to all contracting parties.

The Government of Japan herein submits its ideas concerning the New Round of trade negotiations, including the objectives, negotiating items, time scheme. This paper represents preliminary ideas and should not be interpreted as prejudging Japan's position with regard to the future negotiations.

1. Objectives of a New Round

The world economy is now facing new difficulties. Despite the continuing recovery, protectionist pressures are growing ever stronger. If effective measures to combat this protectionism are not adopted, the foundation of free trade system, on which the post-war prosperity of the world economy has been built, could be shaken.

To resist protectionist pressures and to maintain and strengthen the free trade system, we should, as early as possible, launch the New Round of trade negotiations as a new initiative.

A new round should have the following four basic aims:

- System improvement with a view to revitalizing the open and non-discriminatory trade system based upon GATT;
- Reduction and elimination of barriers to trade;
- Improvement of the trade environment for the developing countries, taking account of debt accumulation and other such recent developments;
- Adaptation of the General Agreement to the changing economic and trade structures, such as expanding trade in services.

It is our urgent task to attain the above-mentioned objectives, and thus to further expand the world trade.

In supporting the New Round, we should introduce no new protectionist measures ("standstill") and we should work to roll back protectionist measures, without waiting for the launching of the New Round. Japan supports paragraph 7(i) of the 1982 GATT Ministerial Declaration unreservedly.

With this in mind, Japan has fulfilled its Tokyo Round commitments and has been unilaterally adopting a series of external economic measures to open its markets in recent years. The Government of Japan announced further external economic measures on April 9th, and is now preparing the Action Program for improving market access in line with that announcement.

The Government of Japan decided on the Outline of the Action Programme concerning tariffs on 25th June. In that Outline, the Government announced its goals for tariff negotiations at the New Round (see 3.(2)(d) below), being the first of the contracting parties to do so. It also decided on the following measures as concrete contributions to the New Round prior to the start of that round:

- (i) elimination or reduction of the tariff rates on more than 1,850 products (72 individual products which are of great interest to the countries concerned, 1,790 products whose tariff rates will be reduced by 20 per cent in principle), accounting for 80 per cent of all dutiable products;
- (ii) (industrial and mining products)
 - promotion of negotiation with interested parties for the elimination of tariff rates on high-technology products,
 - carrying out of unilateral elimination of tariff rates on products with tariff concessions at or below 2 per cent,
 - indicating Japan's medium- and long-term prospect for the improvement in the area of tariff escalation;
- (iii) improvement of the generalized system of preferences,
 - (industrial and mining products)
 - reduction of the tariff rates on Selected Products (SP),
 - improvement of the ceiling system and expansion of the quotas with the goal of implementation from April 1987, considering the equalization of the benefits among countries subject to the G.S.P.,
 - fundamental improvement of the G.S.P. based upon Japan's proposed international principles (those principles being, freezing or reduction of the number of products excluding

from the G.S.P., principle of zero tariff rates in the G.S.P., consideration for the Least Developed Countries), (agricultural and fishery products)

- improvements to the G.S.P., such as expansion of the items covered by the system and reduction of the tariff rates under the system, bearing in mind their relationship with the negotiations in the New Round.

Japan has decided to implement these measures broadly, in the interests of promoting a new round, despite the existence of various domestic difficulties. In addition to these unilateral measures, Japan is ready to make the utmost possible contributions to maintaining and strengthening the free trade system through the New Round.

2. Time Scheme for Negotiations

What is to be negotiated and how to negotiate should be agreed upon by the parties participating through discussions on the items of interest and concern to each country at the preparatory stage. We should enter on the preparatory process as soon as possible. It is desirable that the council meeting in July should convene a preparatory meeting of senior officials before the end of September, with the preparatory meeting setting up a preparatory committee. We hope that the preparations will move forward smoothly and the negotiations begin in the spring of next year.

The objectives and the items of the GATT Work Program and of a new round will overlap. It is, therefore, possible to promote the Work Program and the preparatory procedure of a new round in parallel. Japan is ready to do its utmost for the promotion of the Work Program, but there are items, progress on which can be hoped for only through negotiations. A new round can give the results for which the Work Program was established.

3. Negotiating items and modality of the negotiations

(1) Negotiating items

We should put a broad range of items on the table for discussion at the preparatory stage. We must seek a balanced package of negotiating items embracing the major elements contained in the Work Program; textiles, tropical products, agriculture, tariffs, safeguards, services, etc.

(2) Modality of the negotiations

Japan's tentative ideas on possible modalities for the negotiations are as follows. It is important to utilize fully the results of the GATT Work Program in studying the modality of the negotiations.

- (a) Textiles: In view of the fact that the MFA III ends at the end of July, 1986, this item should be discussed in the new round, aiming at medium- and long-termed liberalization of trade in textiles.
- (b) Tropical Products: The requests of the developing countries have been identified in the work under the GATT Work Program. Beginning negotiations in the early stage is, therefore, technically possible. However, we should find mutually satisfactory negotiating procedures within the framework of the whole negotiating package.
- (c) Agriculture: We should further promote the work now going on under the GATT Work Program. International rules for trade in agricultural products should be formulated, with due consideration being given to the special characteristics of agriculture and to the present situation of trade in agricultural products.
- (d) Tariffs: In the Outline of the Action Program relating to tariffs, the Government of Japan announced its goals for tariff negotiations in the New Round:
 - o reduction of tariff rates on industrial products to zero along with other advanced industrialized countries, promotion of the elimination of the tariff on industrial products with low rates, and substantial reduction or elimination of tariff on many other industrial products,
 - o promotion of agricultural tariff negotiations in the New Round, taking into account the special characteristics of agriculture, the desirability of rectification of tariff escalation and other factors.

Japan will promote the negotiations on tariffs in the New Round in accordance with above-mentioned Outline.

The work for the introduction of the Harmonized System should be completed as soon as possible. Otherwise, there will be no solid foundation on which to base the tariff negotiations.

- (e) Safeguards: Japan attaches great importance to the attainment of solutions in this area, and believes that each country should cooperate to reach a comprehensive understanding. To this end, it might be worthwhile to reach an interim agreement on the less controversial elements, such as 'temporary nature', 'degressivity', 'transparency', 'surveillance', and then to accumulate information on individual cases under such an interim agreement.

- (f) **Services:** Considering the increasing importance of trade in services in the world economy and in the Japanese economy, Japan believes new international rules on trade in services are needed. Adaptation of GATT to deal adequately with this new area is important from the viewpoint of revitalizing the GATT system.

In view of both the service sector development needs of the developing countries and the benefits the liberalization of service trade will give to the manufacturing and other industries of the developing countries, a possible code for this sector might provide for transitional measures.

- (g) **MTN Codes:** The review work on the MTN Codes under GATT is continuing. Some of the Codes might be reviewed as a part of New Round negotiations.
- (h) **Trade in High Technology, Intellectual Property Rights (including Trade in Counterfeit Goods):** Japan attaches considerable importance to these items. Before entering on the negotiation stage, further intensive study will be necessary.

(3) In principle, all negotiating items should be dealt with simultaneously. It is necessary, however, to work out the appropriate procedures for the negotiations taking account of the different degree of maturity of each item.

(4) It will be desirable to arrive at a prior consensus on the general time scheme (time target) for the negotiations. We should also agree on the results of the negotiations as one whole package.

(5) Items for negotiation not initially included in the package may emerge in the process of the New Round.

(6) Procedural proposals have been made regarding negotiations on services. These proposals should be fully discussed at the preparatory stage.

(7) The negotiations shall be considered as one undertaking, as stated in paragraph 8. of the Tokyo Declaration (1973).

4. Participation

Japan hopes that as many countries as possible (especially the developing countries) will participate in the preparatory stage and the negotiating stage. It is obvious that participation in the preparatory stage shall not constitute a commitment to participate in the negotiations, and that participation in the negotiations will not mean a commitment to accept the results.