

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUBMISSION BY SWITZERLAND ON FUTURE TRADE NEGOTIATIONS IN GATT

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

### Submission by Switzerland on future trade negotiations

1. Proper functioning of a multilateral trading framework is the best guarantee of dynamic trade development. Indeed the contracting parties rightly underline the fact that increased trade liberalization within the framework of the GATT multilateral system is essential for the prosperity of all our countries (see for example document L/5818, paragraph 1). Nevertheless, the efforts undertaken in recent years to resolve the problems of world trade have not yet proved successful. Neither the Ministerial Declaration of 1982 and the work programme it set for GATT - in actual fact a programme of negotiations - nor actions decided on in other organizations to combat protectionism have succeeded in generating the necessary momentum to reverse this trend. It is therefore appropriate to embark once more on the path of liberalization. For that, negotiations are essential. In this perspective, Switzerland is resolutely in favour of the principle of a new round of negotiations.
2. In the past, a simple approach to negotiation was sufficient. On many occasions it yielded excellent results. Nevertheless it needs to be adapted in order to take account, on the one hand, of changes that have occurred in the nature and structure of international economic relations and, on the other hand, of the fact that commitments entered into are often no longer observed, concessions are brought back into question, rights are disputed and obligations disregarded. In these conditions, a negotiation designed solely to carry liberalization a stage further could yield only uncertain results and those who expected most from it would probably derive the least benefit. That being so, revitalization of the system itself must be central to any future negotiations. The negotiations will therefore in the first place have to strengthen that system so as to ensure liberalization already acquired and carry it further forward.

3. This affirmation takes account of the fact that economic and political realities have been continually evolving since the General Agreement entered into force. Far-reaching changes in the international scene can be seen today in at least two significant respects:

- that of the economic context in regard to which changes and the current situation have been the subject of so many analyses that there is no need to dwell on them here, and
- that of interdependence, whether as between national economies or, more and more clearly, interdependence as between the various component elements of international economic relations (trade, finance, monetary matters, economic policy, etc.).

Competition has changed; in recent decades its agents, conditions, forms and effects have undergone far-reaching transformations. Because of this situation, the GATT system today is in many respects in an unstable position in relation to a reality that it no longer covers entirely. It is therefore imperative to update that system and, if necessary, supplement it in order to ensure that its underlying ideas and principles remain effective. Our common objective is indisputably the prosperity of all our countries. One of the principal instruments for attaining it is spelt out in the General Agreement itself, namely liberalization of international trade by eliminating existing barriers and preventing the introduction of new obstacles. Such liberalization must have the legal framework that the GATT multilateral system affords. That framework must be effective and stable to guarantee the operation of transparent, equitable and foreseeable national trade policies and thus create the climate of mutual confidence allowing governments to support each other and economic agents to carry out their rôle to the full. It is above all in this perspective that negotiations are absolutely necessary.

4. Seen from this angle the coming negotiations will therefore be decisive. They will have to be different and broader in scope than earlier trade negotiations. Their concrete themes - most of which have already been discussed in the context of the 1982 work programme which is in reality a programme of negotiation and to which other topics can still be added - are of three kinds:

- (a) Topics relating to the updating or elaboration of rules, and accordingly falling within normative activities, in which the very content of the General Agreement is at stake. These topics can be further sub-divided into two groups, namely:
  - improvement of existing rules, and
  - regulation of new areas;

- (b) Topics concerned with access to markets through exchange of concessions (tariffs, quantitative restrictions including tropical products, for example). These topics fall within the essentially executive activities of GATT and correspond to a conventional negotiation concept;
- (c) Tasks that would consist of formulating common positions of the contracting parties on issues relevant to the general economic environment and which, while going beyond the narrow framework of trade policy, nevertheless have a decisive impact on trade as well as on the efficacy and management of the GATT multilateral system.

5. Among normative activities, involving the updating or elaboration of rules, one may mention in particular:

- Safeguards

For Switzerland, the formulation and functioning of appropriate and equitable safeguard clauses are a priority element in the perspective of an updated and strengthened trading system. To that end, one should cease presenting the problem in the form of an absolute alternative as between "selectivity" and "erga omnes application" and approach it from the angle of the situations that make such measures necessary. In particular, it would be necessary to define the responsibilities incumbent on importing countries and on exporting countries respectively, taking into account existing adjustment mechanisms and the concern to ensure continuity of both import and export flows. Those factors would then determine the duration of the safeguard measures taken in each case and their phasing out, as well as the nature and scope of the commitments of the party that invokes them. The application and implementation of such rules should be kept under multilateral surveillance.

- Textiles

The negotiations should bring international trade in textiles under the general GATT rules with a view to achieving increased and stable liberalization in that area and restoring more equitable international competition. Nevertheless, the General Agreement cannot successfully take over from the MFA unless it affords adequate guarantees of application and in particular an adequate safeguards system.

- Agriculture

The negotiations should aim to establish more generally applicable rules for international trade in agricultural products. This would imply stabilizing both conditions of competition and conditions of access to export markets. At the same time, such rules will have to respect the specific characteristics of this particular sector of the

economy. They will therefore have to take account of the fact that national agricultural policies cannot be determined exclusively by economic and commercial considerations in the strict sense, but that - in objective conditions of production that are often very different - they must also respond to concerns such as, inter alia, security of supply, demographic balance and maintenance of the land. On the other hand, the rules will have to ensure that considerations of this kind do not have a disproportionate impact on national production trends nor on restrictions of trade flows. In turn, they will depend very closely on whatever provisions are adopted in regard to safeguards and certain non-tariff barriers (for example, subsidies, quantitative restrictions, technical specifications). Lastly, provisions will be needed to ensure transparency and adequate multilateral surveillance.

- Non-tariff measures

The existing provisions in regard to non-tariff measures should be made generally applicable. Accordingly, it would be necessary in future negotiations to make the content of the various Tokyo Round Codes an integral part of the General Agreement, applied by all the contracting parties - subject where necessary to certain adaptations which should not have the effect of weakening the substance nor modifying the basic orientation of those Codes. New areas not yet covered by the General Agreement could likewise be tackled if the need became apparent.

- General balance of rights and obligations

It is beyond doubt that in recent decades developments in the economic and political context have in some areas disrupted the balance of rights and obligations initially envisaged by the General Agreement. The negotiations should therefore seek to readjust the component elements of that balance in an equitable manner; this would have the effect, inter alia, of tying the contracting parties to the GATT system more closely by involving them in its operation more directly. In this perspective, the negotiations could, inter alia, adjust the negotiating rights established by Article XXVIII by adequately supplementing the criteria on which they are based. In addition, the negotiations should define the conditions for more dynamic application of Part IV and of the enabling clause without bringing into question their fundamental objective which is itself an integral part of the GATT system. It would likewise be desirable to elaborate provisions allowing the General Agreement to accommodate specific arrangements between developing countries and industrialized countries more satisfactorily.

- Dispute settlement

Switzerland has always shown particular interest in the dispute settlement mechanism, and accordingly is ready to examine any proposal for improving it, in particular as regards implementation of the result of procedures. It recognizes nevertheless that the fundamental problem lies not so much in any shortcomings of the mechanism as in the use that contracting parties make of it.

6. Normative tasks in respect of rules to cover new areas should include inter alia the following topics:

- Services

Switzerland fully supports the opening of negotiations with the aim of establishing a multilateral system designed to facilitate trade in services. Indeed, services quite clearly are playing an increasingly important rôle both in national economies and in international trade.

Accordingly, the underlying motives and the nature of existing national regulations should be examined in the negotiations in order to determine the conditions under which such regulations would be considered not to imply disproportionate trade restrictions. On this basis it will be possible to identify the services sectors for which rules would be needed and to decide whether those rules should be based on the GATT rules or should take some novel form. Having regard to these elements, the negotiations should therefore proceed without any predetermined ideas as to the areas to be covered and the form of the resulting provisions.

- Counterfeit

Because of its expansion and implications, trade in counterfeit products (marks, designs, manufacture or designation of origin) is a topic which the contracting parties can no longer disregard. For this reason the negotiations within GATT should take up the problem of combating this form of trade and seek some solution that would not in turn generate new unnecessary trade barriers.

7. It does not seem necessary here to mention in detail topics that fall within GATT's executive tasks and correspond to a conventional negotiation concept - not because they are in any way of secondary importance, but because all contracting parties are familiar with their coverage and the techniques involved. One may note furthermore that a great many of the normative tasks mentioned above will automatically have a direct or indirect liberalizing effect. Furthermore, it will be possible to expand market access through an immediate exchange of concessions on the basis of rules

that will have been updated and supplemented. Lastly, the tariff area will also have to be tackled in new negotiations and, as in the Tokyo Round, the approach should be to apply a general formula designed to achieve further progress toward harmonizing tariffs at lower levels. The more effective this formula, the more the problem of tariff escalation can be eased.

8. In conclusion, Switzerland considers that in order to move forward in the process of opening new trade negotiations, the contracting parties should meet in the near future at the level of responsible senior officials. These senior officials would have the task of:

- confirming the list of topics for negotiation, adding any others that might be proposed;
- dividing them into categories according to their respective nature;
- defining in broad outline the modalities and fundamental objectives of the negotiation on each of those categories of topics;
- determining which countries not parties to the General Agreement could be invited by the contracting parties to participate in the negotiations.

The firm commitment to initiate negotiations will largely depend on these tasks which should lead to a consensus as to the appropriate approach to ensure that new negotiations yield effective results, creating the necessary conditions for the unorthodox measures of recent years to be eliminated.

9. New negotiations will be decisive for the future of the GATT system. They must be initiated and brought to completion as rapidly as possible. In this perspective, clear expression of the will of governments to move forward toward liberalization would greatly contribute to creating a favourable climate. In this regard, it should be recalled that the EFTA countries have undertaken not to adopt any trade-restrictive measures outside the GATT context, and that they expect their trade partners to do likewise.

10. It is in this spirit that Switzerland would wish the work of the senior officials to commence in September, if necessary in separate meetings to consider the normative and the executive tasks of GATT, as appropriate. In addition, Switzerland reserves the right to make more detailed proposals at a later date on any matters it considers particularly important, including the matter of negotiation mechanisms.