

# ROUND

## OF MULTILATERAL TRADE NEGOTIATIONS

NUR 016  
31 May 1988

### DEVELOPMENT ISSUES FIGURE STRONGLY IN RECENT MEETINGS ON SERVICES AND AGRICULTURE

Both the Group of Negotiations on Services and the Negotiating Group on Agriculture received proposals, at recent meetings, regarding the treatment of developing countries in their respective negotiations

The following meetings of negotiating groups have been held since the last bulletin:

#### Tariffs ... 18-19 April

The debate indicated growing support for the application in the negotiations of a general harmonization tariff-cutting formula similar to that used in the Tokyo Round, but without excluding supplementary negotiations based on a request-and-offer procedure. The advantages of this approach, notably its potential for a wider coverage of world trade - and the disadvantages of the request-and-offer procedure - were outlined in a new proposal tabled at this meeting. Two participants announced new trade-liberalization initiatives in this area: New Zealand would be applying a Tokyo-Round type formula in a comprehensive tariff cutting programme set to start at mid-year while Australia had taken immediate action to reduce government assistance to its car industry.

Participants exchanged views on the Chairman's concern that while preparations for the new Integrated Data Base were underway, it was not expected to be fully operational in time for the opening of the bilateral tariff negotiations expected to begin in early 1989. He suggested two options: the enlargement of the Tariff Study or the early submission of tariff and trade data to the new data base. Two delegations announced the decisions of their authorities to join the Tariff Study which presently contains computerized tariff and trade data for twelve participants (the EEC counting as one). The Group then requested the secretariat to draw up information requirements, (e.g. product descriptions, bound tariff rates, value and volume of imports) for the negotiation.

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Agriculture ... 20-21 April

The Group examined three new communications submitted by Argentina, Nigeria and Morocco. Argentina presented the results of the Ministerial Meeting of the Cairns Group, held in Bariloche in February. That meeting had stressed the need to achieve, in Montreal in December, a firm commitment on the elements of the long-term framework for agricultural reform, based on reformed and strengthened GATT rules. The Cairns Group had noted that the major exporting countries had intensified their protectionist practices and other market-distorting measures. It had proposed a programme of action, to be implemented immediately in 1988, consisting of a contractual freeze and phased reduction of support and protection for agriculture. This would constitute a down-payment on long-term reform. Argentina and other participants emphasized the need to ensure a convergence between the positions that focused primarily on short-term measures and approaches that concentrated on long-term reform objectives.

Nigeria's communication highlighted the heavy dependence of most developing countries on agriculture, and proposed a number of measures - government price policies, trade policies, subsidies, sanitary and phytosanitary measures, special and differential treatment - aimed at ensuring self-sufficiency and overall socio-economic development. The communication from Morocco advocated an approach based upon a better balance between supply and demand of agricultural products, while ensuring an adequate supply on world markets at all times.

The Group also pursued its discussion of the negotiating proposals already submitted. In particular it examined a further development of the United States proposal expressing its views on the specific treatment that could be given to developing countries in terms of subsidies, market access and pace of liberalization for products of interest to them. Participants further examined the proposals for short-term action, and began its consideration of the strengthened GATT rules and disciplines that could form part of a long-term framework. They also held a further exchange of views on the question of sanitary and phytosanitary regulations and barriers.

The Group took note of the oral report by the Chairman of the Technical Group on Aggregate Measurement of Support. It was agreed that participants could submit PSE data and estimates without prejudice to whether, and if so how, an aggregate measurement of support might be used in the negotiations. Technical assistance, provided jointly by the GATT secretariat and FAO, will be available on request to countries requiring it.

Tropical Products ... 25 April

This meeting set the stage for the two rounds of comprehensive multilateral consultations scheduled for late May and June. A number of participants, as called for in the procedures agreed in January

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(see NUR 014), submitted indicative lists containing either export products, offers or negotiating approaches; nine such lists were presented, coming from a total of 32 countries, the European Community and ASEAN among them. It was also noted that the United States and the European Communities had addressed requests for additional information to many participants. Hungary introduced an offer which would reduce to zero its tariff rates on many tropical products covered by its Generalized System of Preferences (GSP) scheme and extend the scheme to further products. Hungary would also exempt the only four tropical products currently covered by its global quota system.

Several participants supplemented a joint list with suggestions for "negotiating modalities" in the areas of tariffs and non-tariff barriers. Switzerland advanced an extension of its proposal in the Negotiating Group on Tariffs for a tariff-cutting approach similar to that used in the Tokyo Round. A similar approach was advocated by a group of participants in an elaboration of an earlier proposal. Australia, in submitting its own list of export products, suggested that all countries bring their trade-distorting measures on tropical products to the table and then negotiate: the phased elimination within ten years, preferably on an accelerated basis, of trade barriers on all tropical products up to their primary processed stage, reduction in overall levels of protection for other tropical products, and tariff bindings on all tropical products. Many participants announced that their respective indicative lists would be tabled shortly. Intensive consultations were being held in the week of 29 May with a view to launching actual negotiations at the July meeting in the light of the need to achieve concrete results by the time of the Montreal meeting of the Trade Negotiations Committee.

#### Dispute Settlement ... 27-28 April

Meeting informally, the group analysed points of convergence and divergence in its discussions to date. Among other points, participants discussed the group's negotiating objectives, the use of "early warning" and notification mechanisms, mediation and conciliation, panel procedures and arbitration, surveillance and implementation of panel reports, and political commitment on behalf of the Contracting Parties to abide by the dispute settlement rules. Several delegates considered that existing dispute settlement procedures should be strengthened, and emphasized that the system must be made more efficient, if not more flexible. Other participants believed new options could be created so as to respond adequately to the different nature of disputes and to make the system more flexible, but that these options should not be turned into additional obligations. Views differed on the time limits for the Council in establishing panels, on the use of standard terms of reference and on time limits for the composition of panels. There was general acceptance however, that the roster of non-governmental panelists be expanded and regularly updated. Delegates also addressed matters relating to dispute settlement mechanisms and developing countries.

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Functioning of the GATT system ... 2-5 May

While the question of surveillance through the regular monitoring of national trade policies was further discussed in informal sessions, the Group concentrated on the third part of its mandate relating to the contribution of GATT to achieving greater coherence in global economic policy-making especially through its relationship with other international institutions. There was a widely-held view in the Group that it would need to address some of the substantive questions relating to trade, finance and monetary issues in order to reach meaningful conclusions on institutional relationships. Equally, it was noted that while trade liberalization alone could not solve all the problems of indebtedness and financing, protectionism served to aggravate these problems and made it more difficult for indebted countries to fulfill their obligations to the World Bank and the International Monetary Fund. However, some participants took the view that the Group's main objective was to determine how GATT, as an institution, could better relate to those dealing with problems of finance and indebtedness, and ensure that all the relevant organizations, whose philosophies were basically similar, moved along similar lines. Improvements in institutional relationships could lead to improvements in the coherence of substantive policies. In further discussion, it was proposed by a number of participants that consideration be given to the idea of giving credit in the Uruguay Round for trade liberalization measures undertaken by developing countries either autonomously or as part of adjustment programmes supported by international financial institutions. It was also suggested that consideration of institutional relationships be extended to other organizations with responsibilities in the field of finance and development, including UNCTAD and regional banks, and not limited to the World Bank and IMF.

Textiles and Clothing ... 5 May

Delegates continued their examination of "techniques and modalities" which would permit the eventual integration of the textiles and clothing sectors into the GATT. A submission by Indonesia on behalf of the nineteen International Textiles and Clothing Bureau members was presented and reviewed by the Group's participants. The developing countries' proposal calls for a multiple process consisting of a reversal of the restrictive measures under the Multifibre Arrangement; the elimination of concepts and practices under the MFA which are incompatible with the General Agreement; the effective application of the GATT principles relating to developing

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\* The ITCB represents a number of developing countries which are exporters of textiles and clothing exporters. Its members are: Argentina, Bangladesh, Brazil, Colombia, China, Egypt, India, Indonesia, Jamaica, Republic of Korea, Mexico, Pakistan, Peru, Hong Kong, Sri Lanka, Turkey, Uruguay, Yugoslavia, Macao.

countries to trade in textiles and clothing and the termination of the Multifibre Arrangement and all associated bilateral agreements. During discussion of this proposal and that tabled by Pakistan at the previous meeting, some developed importing countries stressed that while the situation in their textile and clothing industries may have improved, they continue to face certain problems in their markets. Some exporting countries believed, however, that the principle of market disruption should be abolished and the principle of non-discrimination strictly observed. Views differed on members rights under the present MFA vis-a-vis the standstill commitment in the Punta del Este Declaration.

#### Non-Tariff Measures ... 9 May

Delegations took stock of the progress in the preparation of specific proposals. These are to be submitted before 30 June 1988, as called for in the Group's decision made in February (see NUR 015). Several participants reported that they were preparing lists of measures which they would like to see taken up in the negotiations. A group of countries said that its preliminary work indicated that the use of non-tariff measures like surcharges, port and statistical taxes, quantitative restrictions, including prohibitions and import licensing procedures was particularly widespread. Other, though lesser, problems included technical regulations and standards, consular formalities and government procurement practices. Australia provided more details on its proposal for using "effective rates of assistance" (ERA) to measure the impact of trade protection in this area.

The participants then turned their attention to the issue of preshipment inspection (PSI) used by a number of developing countries to assess imported goods, which had been raised by Indonesia at the last meeting. It was generally recognized that preshipment inspection was used because of some very real problems faced by the countries concerned. The United States, supported by some delegations, expressed concern with several aspects of preshipment inspection: compulsory inspection of all goods to be imported, and in some cases exported; physical inspection for quality and quantity at the site of production, warehousing and shipment; and price comparisons to determine whether the f.o.b. price and other elements of the price charged in commercial transactions correspond to the prices generally charged in the supplying country or the international market. Some participants noted delays, additional costs and potential threats to confidentiality of information. Some of governments using PSI insisted that it could not be assumed to constitute a non-tariff measure on which negotiations should be held. Some pointed out the particular benefits of the system, including significant foreign-exchange savings and its deterrent effect on certain practices by exporters. It was suggested that a non-discriminatory and multilateral approach should be taken to questions relating to PSI.

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Trade-related aspects of intellectual property rights ... 16-19 May

Participants examined a factual document prepared by the World Intellectual Property Organization (WIPO), at the request of the negotiating group, concerning the scope and form of existing internationally accepted and applied standards/norms for the protection of intellectual property. The document dealt with four rights: patents, copyright, trademarks and layout designs of integrated circuits. Information concerning other rights - designs, appellations of origin and other geographical indications - will be provided by WIPO, probably for the next meeting of the Negotiating Group at the beginning of July. On the basis of the information supplied by WIPO, participants discussed the existing standards and norms provided in international treaties and international guidelines, WIPO activities in this area and commonly applied national provisions and practices. Participants considered that the WIPO document had enabled them to acquire a better understanding of the current situation.

The Group also pursued its discussions on international trade in counterfeit goods. They focused on the following issues: what should be the scope of a multilateral framework in this area; what should be the mechanisms and remedies provided in such a framework to ensure effective action against trade in counterfeit goods; and what safeguards should be built in to ensure that these procedures and remedies do not themselves become barriers to legitimate trade.

Trade in Services ... 22-25 March

The Group concentrated on two new documents, one tabled by Argentina and the other by the Nordic countries. That by Argentina focused on development questions. It proposed that a multilateral framework should include a general principle that laws and regulations which pursue national policy objectives are not to be questioned - with such objectives being defined in the context of the general framework and, for developing countries, at the level of future sectoral disciplines. It envisaged, among other things, the granting of suitable latitude to developing countries to enable them to operate policy instruments required to facilitate their export of services and, at the same time, measures by developed countries to facilitate imports of services for developing countries. The paper recognized also, the relationship between the growth and diversification of trade in services in developing countries and the process of technology transfer. With respect to market access, it introduced the concept of "equality of opportunity" among foreign suppliers.

The paper by the Nordic countries set forth a possible structure for the general framework on services. With respect to the principles to be applied, it included most-favoured-nation treatment; a requirement that regulations should not impose restrictions on services trade beyond those required to meet legitimate national regulatory objectives; and a "standstill" commitment. The coverage of the framework should extend to all cross-border trade as well as

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commercial presence and it should comprise a reasonable level of transparency subject to national security and commercial confidentiality. The general framework would also set down the modalities for subsequent negotiations on particular sectors or activities. The Nordic paper outlined some preliminary ideas on the nature of sectoral agreements.

#### Trade in Services ... 16-19 May

New proposals from Canada, the United States and Japan accounted for a major part of the discussion at this meeting. The Canadian proposal outlined a structure for the services agreement with four main elements: a set of principles providing a framework for further market access undertakings and liberalization measures; a set of rules concerning, in particular, transparency and non-discrimination requirements; institutional arrangements to ensure effective multilateral surveillance, enforcement and dispute settlement; and an exchange of specific market access undertakings and liberalization measures.

The United States paper discussed a three-phase procedure for reaching and implementing a multilateral services framework. In phase one, the paper envisaged the negotiation of rules and disciplines that would be incorporated in a framework whose provisions would be generally applicable to a wide range of service industries. The second phase would establish the sectoral coverage of the agreement with, as a first stage, participants notifying, anonymously, those sectors which they believe should be included. At this point participants would be able to notify reservations with respect to existing regulations which would not be immediately brought into conformity with the agreement. Phase three would involve negotiations among signatories aimed at the liberalization of measures not covered by the two first phases, including regulations and laws subject to reservations in the second phase. A dispute settlement system would rule on the conformity of measures with the framework.

In its proposal, Japan outlined a number of principles and rules which should be enforceable in the services framework; among them, transparency, non-discrimination, national treatment, special needs of developing countries, state enterprises, safeguards and dispute settlement. An agreement on the coverage would include the possibility of reservations for measures which are difficult to bring into conformity with the principles. Particular sectoral arrangements could be established where the special characteristics of the sector make it difficult to apply the principles of the general framework or when the enforcement of those principles alone would not remove trade obstacles.

A part of the meeting was devoted to an information-gathering exercise with three international institutions operating in the services field - the International Civil Aviation Organization, the UNCTAD with respect to the 'Liner Code' and the International

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Telecommunications Union - in order to give the group a better understanding of their functions and relevant current activities.

Note to Editors

1. Press bulletins on the Uruguay Round are issued regularly and are intended as an indication on the subject areas under discussion rather than as detailed accounts of negotiating positions. Journalists seeking further background information are invited to contact the GATT Information and Media Relations Division.

2. These accounts of negotiating meetings should be read in conjunction with the text of the Punta del Este Ministerial Declaration (GATT/1396 - 25 September 1986) and the decisions taken on 28 January 1987 regarding the negotiating structure, the negotiating plans and the surveillance of standstill and rollback (GATT/1405 - 5 February 1987). Further copies of these documents are available from the GATT Information and Media Relations Division.

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