

GENERAL AGREEMENT ON TARIFFS AND TRADE

MTN/INF/33
14 July 1978
Special Distribution

Multilateral Trade Negotiations

Original: English

STATEMENT BY SEVERAL DELEGATIONS ON CURRENT STATUS OF TOKYO ROUND NEGOTIATIONS

Geneva, 13 July 1978

Framework of understanding on the Tokyo Round

The delegations of some major trading nations have reached a framework of understanding on the major elements of a comprehensive package for the Tokyo Round. This framework contains the necessary elements, as may be elaborated in further negotiation between these and other participants, to ensure a successful conclusion of the negotiations in accordance with the objectives of the Tokyo Declaration of September 1973.

These delegations recognize that a successful final outcome of the negotiations requires the participation of all delegations and they express their hope that all their partners will consider the framework described in this memorandum as a reasonable basis for completing a mutual agreement in the weeks ahead which will bring these negotiations to a successful conclusion. They agree for their part to ensure that the final results will lead to a strengthened and open international trading system based on increased international co-operation which should provide substantial benefits for the world trading community in particular for developing countries.

The significance of the final package

The framework established for the Tokyo Round results seeks to provide the broadest scope yet attempted for extending understandings in the area of international trade and for managing issues affecting trade relations. The distinguishing features of this round are likely to be:

- a major trade liberalization programme extending over the 1980's,

- a movement bringing the GATT rules more closely into line with the requirements of the next decade,
- a substantially higher degree of fairness and discipline in the international trading system, to be achieved by the creation inter alia of new mechanisms for consultation and settlement of disputes in many fields,
- additional benefits for developing countries as well as measures of special and differential treatment for them inter alia in the tariff field and in several NTM codes.

It is with these aims in view that delegations have agreed on the following elements which, taken together, should lead to a successful conclusion of the negotiations based on an overall reciprocal balance.

I. NON-TARIFF MEASURES

Customs valuation

The delegations recognize that the draft code, which has been carefully elaborated in the course of negotiations, represents a solid basis for instituting a harmonized international system for customs valuation which will provide a uniform and fair system of valuation in conformity with the provisions of the GATT. With appropriate technical assistance the code should be acceptable to developing countries and constitute one appropriate form of contribution by them to the success of the Multilateral Trade Negotiations.

(The delegation of Canada has not taken part in these negotiations)

Government procurement

The proposed draft text provides a basis for a code which will constitute a major step in opening government procurement to international competition by means of agreed non-discriminatory and transparent procedures under international supervision. Provisions in the draft, in particular regarding review, adjustment and possible extension of scope, should ensure balanced operation and development of this agreement in the mutual interest of participants. The delegations consider that their indicative offer lists represent a basis for continuing negotiation towards developing an agreement on a mutually advantageous basis before the end of the year. They confirm their support for specific provisions for special and differential treatment, and accept that developing country adherents will not offer full coverage at this time, but that their coverage will be expanded as their economic development needs allow. Additional benefits will be provided to the least developed countries. A final agreement will require an acceptable reciprocal participation by other developed and developing partners wishing to participate in this agreement.

Code on standards and technical regulations

The delegations agree that the draft "standards" code is in near final form and undertake to work with their partners to finalize the code in the early autumn. Important elements of the code have been agreed. These include provisions to help avoid trade distortions arising in the field of "standards" and to promote international "standards". They further agree to seek a balanced level of commitment and advantages for all adherents to the code in regard to the development of product standards and in regard to related certification requirements. This code will provide for appropriate provisions and technical assistance for developing countries.

Subsidies and countervailing duties

The delegations affirm that the present draft outline constitutes a substantial basis for developing an agreement in this area. This agreement should contain procedures for notification and consultation prior to the imposition of countervailing duties and should elaborate the provisions of GATT Article VI relating inter alia to material injury so as to provide greater uniformity and certainty in their implementation, in a reasonable way, by all signatories.

The final agreement should provide improved notification and consultation procedures concerning subsidies. With regard to the effects of subsidies on the trade and production of other countries, the final agreement should elaborate the provisions of Article XVI¹/so as to strengthen the prohibition on the use of export subsidies on industrial products and clarify the provisions of Article XVI:3. With regard to other subsidies, the final agreement should recognize that such subsidies are intended to promote important objectives of national policy but may have adverse effects, which signatories should seek to avoid, on the trade and production interests of other signatories. The issue of indicative guidelines is still unresolved.

The final agreement should elaborate the concept of serious prejudice as used in Article XVI and provide the possibility for countermeasures within a framework of international rules and obligations, in the event there is serious prejudice to the interests of another signatory. The issue of whether these countermeasures might be authorized or unilateral is still unresolved.

¹/With regard to agriculture refer to page 6.

In resolving the outstanding issues in negotiation, further attention will be given to the interests of developing countries whose development needs should be taken into account in relation to subsidies.

OTHER NON-TARIFF MEASURES

Trade in counterfeited goods

Taking into account the provisions of Article IX as well as other relevant international agreements for the protection of trademarks, copyrights, etc., the delegations will seek actively international agreement designed to strengthen rules and procedures to counter cases of trade in counterfeited goods.

Licensing

There are texts covering (1) automatic licensing and (2) restrictive licensing. The delegations agree that these texts contain the basis for an agreement. The primary objectives of these texts are to ensure that licensing systems are employed by all countries only when necessary, are not designed to distort trade, are transparent and are administered in a fair and equitable manner. Adherence to the final texts would represent one substantial contribution by developing countries to the Tokyo Round.

Rules of origin

This has been the subject of a bilateral understanding developed between the United States and the European Communities.

Other consultations are under way.

Non-tariff measures not dealt with multilaterally

The delegations note that non-tariff measures not dealt with multilaterally are the subject of continuous and intensive bilateral negotiations.

II. INDUSTRIAL TARIFFS

The negotiations on industrial tariffs have not been completed but certain important elements of a comprehensive tariff package have been agreed. The delegations are working towards results which would represent a substantial degree of liberalization compared with the Kennedy Round. While generally following the Swiss formula designed to achieve a substantive

harmonized reduction of tariffs, the delegations are proceeding to reciprocal adjustments in their initial offers involving both improvements as well as exceptions. They recognize that at this stage the detailed final results of the tariff negotiations cannot be decided and that the final results will vary between them and between different individual partners. The delegations acknowledge that there are still uncertainties with regard to certain offers in important sectors which require clarification and further negotiations. Reciprocal balance with other developed countries participating in formula reductions will also need to be reached. A high level of binding of duties by all participants is an important objective. The delegations confirm that their final offers will contain measures of special and differential treatment for developing countries; at the same time they expect adequate contributions from developing countries commensurate with their state of development.

The issue of the staging of tariff reductions remains to be resolved in the final phase of the negotiations.

Aircraft

Agreement was reached on the objective of negotiating maximum freedom of world trade in commercial aircraft, parts and related equipment, including elimination of duties and to the fullest extent possible, the reduction or elimination of trade restricting or distorting effects of other measures.

Steel

The delegations note that in the framework of the OECD, discussions are progressing on the preparation of a multilateral resolution on steel, under which a Steel Committee would be set up. The adoption of such a resolution at the appropriate moment should facilitate negotiations in the MTN on steel products.

III. AGRICULTURE

The delegations have continued intensive discussions of agriculture issues. There is mutual recognition that a positive result in agriculture is critical to the successful completion of negotiations in the Tokyo Round. Definitive agreements are still to be worked out satisfactorily. Building on the degree of consensus that has evolved up to this point in the field of agriculture as well as in the MTN as a whole, it is their view that there is a sound basis to proceed to the final development of a significant package during the weeks ahead.

Four areas of the negotiations merit special attention:

General understanding on agriculture

The delegations believe that the establishment of some fundamental understandings on the conduct of agricultural trade could provide a framework for avoiding continuing political and commercial confrontations in this highly sensitive sector in the future. Such understandings should build on a group of principles to be worked out that would lead to an improved level of international co-operation among participants in their efforts to secure adequate farm incomes, stabilization of food prices, and expansion of trade in agricultural products.

This aim could be achieved in the GATT through a systematic series of consultations, exchanges of information and the establishment of a consultative committee for reviewing and implementing the understandings and possibly co-ordinating the work of subsidiary bodies.

Subsidies

The delegations have recommitted themselves to ensure accordance with the provisions of GATT Article XVI:3. The signatories thereby agree not to grant directly or indirectly any export subsidy on any agricultural product in a manner which results in the signatory granting such subsidy having more than an equitable share of world export trade in such product, account being taken of the shares of the signatories in trade in the product concerned during a previous representative period, and any special factors which may have affected or may be affecting trade in such product.

To clarify the meaning of this article to avoid misunderstandings, and thereby to reduce conflicts between agricultural exporters and importers, the delegations have committed themselves to reach a common understanding in order to avoid distortions of trade in traditional markets through the use of subsidies and to develop appropriate definitions for markets and representative periods for reference in case disputes arise.

Specific requests and offers

In relation to specific agricultural and fishery products of interest to participants, the delegations have had and are continuing intensive discussions in great detail concerning obstacles to trade, the removal of which would further the expansion of world trade on a fair and equitable basis.

Although these detailed discussions continue, a sufficient number of possible actions have been reviewed to suggest that mutually advantageous improvements, including the abolition of certain non-tariff measures, can be negotiated in concrete terms early this autumn. The elaboration of the final MTN package is subject to completion of satisfactory settlements in this area of negotiations.

Commodity arrangements

Negotiations are continuing for commodity arrangements in the four areas of wheat, coarse grains, dairy products and meat. In grains it is noted that the differences have been narrowed to only a few key issues which are expected to be resolved well before year end. Work has been essentially completed on the framework for the dairy and meat accords. The protocols or possible annexes concerning individual products that would finalize the latter two arrangements as well as understandings with respect to access for specific related products are under negotiation.

These arrangements in commodity areas in combination with the understandings and rules emerging from the MTN provide a new framework for continuing consultation and co-operation on agricultural issues in order to avoid confrontations.

Timing for completion

The delegations have committed themselves to complete the remaining tasks for bringing this package into form early in the autumn so that this can be included as an essential and significant element in the Tokyo-Round results.

IV. TRADING SYSTEM

Safeguards

Recognizing the need to strengthen the effective control of safeguard actions, the delegations agree on the need for a new code, based on the proposed Draft Integrated Text. Building on the provisions of Article XIX, this code will reflect a balanced approach between exporting and importing interests and will assure that all safeguard actions are appropriately brought within the scope of the new code. It should provide greater precision for criteria and conditions for safeguard action and for notification and consultation procedures.

The question of how and under what circumstances and conditions a selective application of safeguard measures would be provided for in the code, is still a subject of intensive negotiations.

Under the code there should be a new body to supervise the operation of the agreement, review particular actions and matters affecting the operation of the code, assist in resolving disputes and effectively deter abusive and unjustified recourse to safeguard action. Where possible, by means of flexible application of safeguard action, the interests of the developing countries should be taken into account in relation to particular products and particular markets.

Issues relating to the future trading system

In accordance with the reference in the Tokyo Declaration to the need to improve the international framework for the conduct of world trade, a series of texts have been developed for full multilateral consideration. The results which are emerging in this area, which is of particular importance to developing countries, will contribute to strengthening the legal framework of the GATT and to enabling the GATT to develop its rôle as the world organization responsible for the expansion of international trade and for harmonious trade relations.

The provision of an enabling clause providing a basis for special and differential treatment in favour of developing countries - particularly the least developed countries - as well as for their increasing acceptance of responsibilities under the trading system as their development proceeds, will be of particular importance.

Extensive work has been carried out on Dispute Settlement/Management procedures and possible improvements. Rules and disciplines on trade measures taken for balance-of-payments purposes for both developed and developing countries, and possible improvements to such rules have been discussed in depth. In addition, elaborations and/or better definitions of measures relating to export controls have been considered. There exists in all these areas a basis in the form of detailed draft texts on which, in the judgement of the delegations, a mutually acceptable solution could be successfully negotiated.

As a result of these negotiations, and as a contribution to reinforcing the future trading system, the delegations have determined to move towards uniform application of GATT rules.

Consultative framework

As previously indicated consultative provisions have been included as an integral part of the draft agreement on non-tariff measures and the delegations decided to explore the development of a general framework for improved international co-operation and consultation on agricultural trade. To further improve international co-operation in the field of trade, the delegations agree that the GATT should be strengthened as a forum for continuing high-level international consultations with regard to trade policy and with regard to specific issues. This improved consultative framework would be designed to ensure the early discussion of trade issues with a view to promoting their solution.

ANNEX

Steel Committee

The delegations note that setting up of a Steel Committee under the auspices of the OECD should help to develop common perspectives regarding emerging problems or concerns in the steel sector and establish, where appropriate, multilateral objectives or guidelines for government policies. The Committee would provide a continuing forum for bringing into consultation interested parties. The setting up of it would contribute to a new international climate of understanding, under which current problems could be more easily solved.

The Committee's objectives would be:

- Ensure that trade in steel will remain as unrestricted and free of distortion as possible. Restrictive actions should be avoided and where necessary strictly limited in scope and time and in conformity with GATT Rules.
- Encourage reduction of barriers to trade.
- Enable governments to act promptly to cope with crisis situations in close consultation with interested trading partners and in conformity with agreed principles.
- Facilitate needed structural adaptations that will diminish pressures for trade actions and promote rational allocation of productive resources with the aim of achieving fully competitive enterprises.
- Ensure that measures affecting the steel industry are consistent to the extent possible, with general economic policies and take into account implications for related industries, including steel-consuming industries.
- Avoid encouraging economically unjustified investments while recognizing legitimate development needs.
- Facilitate multilateral co-operation consistent with the need to maintain competition, to anticipate and to the extent possible prevent problems.