

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)
Negotiating Group on Functioning
of the GATT System

COMMUNICATION FROM JAPAN

The following communication, dated 22 June 1987, has been received from the delegation of Japan with the request that it be circulated to members of the Group.

Proposal for the Trade Policy Review in the GATT

Regarding the strengthening of surveillance function of the GATT to enable regular monitoring of trade policies of contracting parties, which is laid down in Part E (Functioning of the GATT System) of the Ministerial Declaration on the Uruguay Round, Japan hereby submits, in accordance with the negotiating plan, a proposal to help promote the negotiations.

The proposal is a preliminary one, without any prejudice to Japan's future position in negotiations.

It should be added that substantial assistance and involvement of the GATT secretariat is indispensable in the implementation of the trade policy review, especially in the drafting of reports and other relevant work.

1. Contracting parties subject to the review

About thirty contracting parties selected among those registering the highest trade performance (all developed contracting parties, the European Community and major developing countries).

Other contracting parties would also be subject to the review as necessary on an ad hoc basis.

2. Measures subject to the review

Trade policies of each contracting party including tariffs, non-tariff measures, export subsidies and market opening measures. Not only measures adversely affecting trade but domestic situations and current trade performance, as backgrounds for these trade-related measures, should be closely examined in the review.

The format of the review should be agreed through negotiation prior to the initiation of review. Note should be taken in this connection of the necessity to avoid duplicating the work already undertaken by other international organizations (i.e. OECD, IMF). As it is different in nature from dispute settlement, the review should include no judgement as to GATT legality.

3. Organ to conduct the reviews

The contracting parties in charge of the review would be selected on a rotational basis from those subject to the review. They would indicate the names of persons to serve as reviewers. Two or three contracting parties would be engaged in the review of one contracting party. (Note should be taken in selecting the reviewer countries of the necessity to ensure impartial review by, for example, avoiding combination of contracting parties which share interests, or have large developed economies, or belong to the same region.)

4. Frequency of the reviews

Once in three or four years for each contracting party. (Trade policies of eight to ten contracting parties would be reviewed in one year. Biannual special sessions of the Council would be used as the occasion for the final review discussions, and each session would deal with four or five contracting parties.)

5. The implementation of the reviews

- (i) Replies to the questionnaires based upon the agreed format (mentioned above in 2);
- (ii) field research works including as appropriate the visit of the reviewers to a contracting party under review for exchange of opinions;
- (iii) drafting of the report by the reviewers with the assistance of the secretariat. The report would be submitted to a special session of the Council for the final reviews.

6. Compilation of reports and publication

After the final review at the special session of Council, reviewing contracting parties would make a final report with the assistance of the secretariat, taking into account the opinions of the reviewed contracting parties. The final report would not be made public, but a brief press release would be published.

7. Timing for the implementation

The Agreement on Trade Policy Review is to be implemented in a balanced manner, taking account of the progress of other negotiating items.

8. Reassessment of the reviewing system

After the first round (three or four years) of the review, the overall assessment of the reviewing system including the modality for implementation should be conducted. Reassessment would be made of the reviewing system including, as necessary, the improvement of the system.