

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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

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COMMUNICATION FROM THE UNITED STATES

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

INITIAL SUBMISSION BY THE UNITED STATES
TO THE URUGUAY ROUND NEGOTIATING GROUP ON
FUNCTIONING OF THE GATT SYSTEM

SUGGESTIONS FOR IMPROVING THE FUNCTIONING OF THE GATT SYSTEM

INTRODUCTION:

In accordance with the negotiating plan agreed in January, 1987, the United States submits these initial ideas on ways to improve the functioning of the GATT system. While reserving its rights to submit further suggestions and proposals for negotiation on improvements to the GATT system, the United States offers these ideas for discussion and consideration in the Uruguay Round Functioning of the GATT System Negotiating Group. We welcome proposals previously circulated by the delegation of Australia and would encourage others to submit their views for discussion as well. We encourage a full discussion of the advantages and disadvantages of these ideas and other proposals put forward by delegations. The United States notes that the concepts that follow below need not await the end of the negotiations for implementation.

1. GATT SURVEILLANCE OF TRADE POLICIES AND PRACTICES

Enhancement of GATT surveillance of Contracting Parties' trade policies and practices and their impact on the multilateral trading system will be one of the cornerstones of improving the functioning of the GATT system. Improved surveillance can greatly enhance the GATT principles of transparency and predictability in trade policies and practices. Enhanced surveillance could also increase the level of Contracting Parties responsibility to the multilateral trading system. While we note the multitude of GATT surveillance procedures, we believe that it is widely recognized that the current GATT efforts at surveillance have not been effective. The following are suggestions to improve the GATT's surveillance of trade policies and practices.

--Central Repository of Notifications Relevant to GATT Surveillance. The present GATT system for handling notifications of measures relevant to surveillance is decentralized and unwieldy. In order to improve the efficiency of the notification process, ensure that any enhanced surveillance procedure conducts its operations based on full and complete information, and to promote compliance with

notification requirements, the GATT could institute and maintain a central repository of all notifications of measures subject to GATT surveillance. (Notifications of measures relevant to surveillance in existing GATT bodies would of course continue to go to the appropriate committee, with copies provided for the GATT central repository.)

--Secretariat Country Reviews. The GATT Secretariat might prepare reviews of individual contracting parties' trade policies and practices. This could be accomplished in various ways. For example, the Secretariat review might encompass a description of the trade regime (trade policies and practices) in individual contracting parties, an assessment of their impact on the trading system and on trading partners, and an assessment of the overall trend in trade policy in individual contracting parties.

--Enhanced Surveillance. The GATT, as a part of its normal operations (i.e., outside the Uruguay Round negotiations) could conduct surveillance of Contracting Parties' trade regimes, for example, based on the Secretariat country reviews. This surveillance ideally would occur on a regular basis. Enhanced surveillance could be conducted by senior trade policy officials from capitals.

Any enhanced surveillance would be for the purpose of multilateral monitoring of trade policies; it would not be the basis for judgments on the relationship between trade measures maintained by Contracting Parties and GATT obligations, which properly belongs in the dispute settlement process.

--Enhancement of Economic Analysis and Research. Enhanced economic research and analysis, including improved information collection, improved analysis, and quantification of the effects of trade measures on the part of the GATT might be useful to provide adequate support for enhanced surveillance.

2. IMPROVING THE EFFECTIVENESS AND DECISION-MAKING OF THE GATT AS AN INSTITUTION, INCLUDING, INTER ALIA, THROUGH INVOLVEMENT OF MINISTERS

Improving the effectiveness of the GATT decision-making process, including through the increased involvement of Ministers, is one option to ensure the GATT's relevance, vitality and credibility in the international trading system.

The GATT should focus its attention on important issues relevant to the operation of the trading system during the Uruguay Round negotiations and beyond, and should be guided in these matters by Ministers, who bring the political and economic perspective necessary to address these issues. Ministers could give direction to the GATT on questions such as new initiatives for the GATT, deadlocks in the current negotiations, the need for new negotiations, or emerging fractures or strains in the trading system that tend to be ignored or treated at best sporadically in the day to day decision making process in the GATT Council or other GATT bodies. The following are suggestions to improve the decision making process in the GATT and institutionalize the involvement by Ministers in that process.

--Establishment of a Steering Group for the GATT. A permanent steering group to guide the operation of the GATT could be established. The steering group could be relatively small, but widely representative of GATT Contracting Parties. It should have a group of permanent member countries and a group of rotating member countries. The steering group should give direction to the GATT on overall trade policy issues.

--Ministerial Involvement in the GATT Steering Group. The steering group should be composed of Ministerial level members. Ministers would inject greater dynamism into the GATT process during the Uruguay Round negotiations and beyond. Regularly scheduled meetings of the steering group at Ministerial level would enhance the Ministers' ability to provide guidance to the negotiators, resolve deadlocks in the negotiations, or address new initiatives in the negotiations. Individual members of the steering group would be free to offer to host meetings of the steering group in their home country. It might also be useful to examine the possibility of more frequent meetings of the steering group, at the level of deputy ministers from capitals.

3. STRENGTHENING THE GATT'S RELATIONSHIP WITH OTHER INTERNATIONAL ORGANIZATIONS RESPONSIBLE FOR MONETARY AND FINANCIAL MATTERS

Strengthening the GATT's relationship with the international organizations responsible for international monetary and financial issues, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) would lead to greater coherence and mutually reinforcing

economic policies at both the national level and at the level of international organizations. The OECD Ministers have already endorsed increased cooperation among the GATT, the IMF and the World Bank by agreeing to consider giving credit in the multilateral trade negotiations for trade liberalization measures that developing countries undertake in IMF and World Bank adjustment programs. The following are additional suggestions to further strengthen GATT/IMF/World Bank cooperation.

--GATT Liaison to the IMF/World Bank in Washington. The IMF and World Bank have resident representatives in Geneva as liaisons with other international institutions, including the GATT. A comparable position could be established in Washington as a GATT liaison with the IMF and the World Bank. The position should be at a sufficiently senior level, so that, over time, the GATT representative could develop a closer, more effective relationship with the two financial institutions.

--Consultation Procedures on Trade Related Measures. The GATT, the IMF and the World Bank could develop an informal consultative procedure under which the three organizations could consult more fully on trade issues, including prior to IMF Article IV economic policy consultations and World Bank missions. These consultations could examine relevant trade issues of importance to the three institutions.

--World Bank Support for Developing Countries' Participation in the Uruguay Round Negotiations. The World Bank could provide valuable assistance in helping developing countries play a more active and effective role in the Uruguay Round. In past negotiations, some capitals were ill prepared to deal with analytical requirements necessary for their effective participation in the round. This lending program could include technical assistance for, inter alia, data collection, increasing the strength of developing country delegations to the negotiations, and enhancing the capacities of the trade bureaucracy in developing countries. We welcome the World Bank's current initiatives in this area.

--Concurrent Meetings of the GATT Steering Group and the IMF/World Bank Interim and Development Committees. It may be useful to examine the possibility of scheduling meetings of the Ministerial level GATT steering group concurrently with meetings of the IMF Interim Committee and/or the IMF/World Bank Development Committee.