

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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

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PROPOSAL BY NEW ZEALAND

The following communication, dated 23 September 1987, has been received from the delegation of New Zealand with the request that it be circulated to members of the Group.

1 The agreed negotiating plan for this group calls for a first examination of issues on the basis of proposals by participants. In light of this, and without prejudice to the possibility of making further proposals, the New Zealand delegation has requested that the following proposals be circulated. Except for the proposals concerning domestic surveillance, the ideas contained herein build on proposals already submitted by other participants.

International Surveillance

2 Enhanced surveillance will be an important element in any agreement to improve the functioning of the GATT system. The objectives of enhanced surveillance are:

- to ensure that existing or additional GATT commitments are maintained;
- to improve trade policies by increasing their transparency, not only internationally but also domestically.

(a) Country Reviews

3 Several Contracting Parties have proposed that one aspect of improved surveillance should be the preparation of comprehensive country reviews. New Zealand supports this proposal. We would envisage these following a standard format, negotiated during the Uruguay Round, along the lines proposed by Australia (W/1). These reviews would comprise a full description of a Contracting Party's trade policies and an objective analysis of their effects. There should be no judgement on questions such as the GATT compatibility of measures in such reports, nor should they contain any policy recommendations.

4 These reports should be drafted initially by the GATT Secretariat. The Contracting Party being reviewed would then be asked to comment on this draft before the final report was published.

5 Such reviews might be concentrated on those Contracting Parties with a dominant share of world trade and should be conducted on the basis of a regular reporting cycle. Other Contracting Parties would also be reviewed but this could be on the basis of a longer reporting cycle.

(b) Notifications

6 New Zealand would support moves to simplify and standardise existing notifications to different GATT Committees. Additionally, each Contracting Party should be required to make a single notification once a year conveying the essential information about its trade policies. These would replace certain existing GATT notifications (eg QRs, NTMs and Part IV notifications) in the sense that the information contained in these notifications would appear in a consolidated annual country notification. They would also provide basic data for the country reviews and, in being updated annually, would assist other Contracting Parties in understanding the direction of that country's trade policies in years where a specific country review was not scheduled for the country concerned. The GATT Secretariat would be expected by CONTRACTING PARTIES to ensure the agreed format was followed and provide any technical assistance to individual Contracting Parties so requesting assistance.

Surveillance Bodies

7 In addition to ongoing GATT committees maintaining their surveillance over specific areas falling within their responsibilities and competence, New Zealand agrees with those participants (Swiss, US, Australian, Canadian papers) which generally support the concept of annual assessments of trade policy trends by an appropriate body or bodies.

8 All Contracting Parties should have the opportunity to participate in such an annual assessment. A single annual meeting of a Special Council Session may yet be the most appropriate mechanism. It would, however, need to be more sharply focussed than the present bi-annual sessions. The terms of reference could be redrafted to ensure a more systematic assessment of the key trade policy trends in the global economic context, as proposed by Switzerland (W/7); it may also be appropriate for this body to have some responsibility for reviewing the implementation of the results of the Uruguay Round.

9 Additionally, New Zealand supports those proposals that have been made for an effective steering group, meeting at Ministerial level on occasions, similarly to assist the evolution of international

consensus on key trade policy trends, the contribution of trade policy to improved domestic and international economic importance, and to help highlight issues on which the GATT needs to lay greater emphasis. The steering group would have no formal responsibilities in relation to the rights and obligations set out in the General Agreement.

10 The steering group could be structured along the lines of the existing CG18, as proposed by a number of participants. However, to reduce the size of the body, there could be a smaller core grouping of permanent members than at present, with a true system of rotating members, representing the diversity of economic interests among Contracting Parties.

Ministerial Involvement

11 To promote the objective of greater Ministerial involvement, the steering group foreshadowed above and in earlier proposals could meet annually at Ministerial or vice-Ministerial level; more frequent meetings at vice-Ministerial level could also be held, as envisaged in the US proposal (W/9), and on the behest of the Director-General.

12 New Zealand considers that full meetings of Contracting Parties at Ministerial level should be held at least once every four years, and more regularly, if deemed necessary.

Secretariat Role

13 New Zealand believes that the above suggestions, which draw on a number of existing proposals, imply a greater role for the Secretariat in GATT's future. Increased resources will be required to enable the Secretariat to carry out a number of these functions.

Domestic Surveillance

14 The GATT Report "Trade Policies for a Better Future : Proposals for Action" (The Leutwiler Report) has usefully highlighted that domestic pressures are the major impediment to freer trade and that domestic procedures for determining trade policy are usually not well structured to assist Governments resist such particularist pressures.

15 To that end, the Study Group chaired by Dr Leutwiler proposed, as its first recommendation, bringing the making of trade policy out into the open to facilitate a better understanding of the costs and benefits of trade policy actions and fostering public support for open trade policies.

16 There are, in New Zealand's view, practical limits as to the nature of the GATT's contribution to addressing this key problem. New Zealand would, however, propose that a set of criteria

be considered in this negotiating group that would be drawn on by Contracting Parties to establish independent domestic surveillance bodies in their countries. Such criteria to be developed would assist in fostering support for open trade policies by encouraging:

- a better monitoring of all measures which affect international trade;
- the evaluation of existing or prospective domestic trade measures on the basis of economy-wide considerations rather than the first-round effect on the industry concerned;
- public debate on the direction of trade policy and trade policy-related measures;
- greater understanding of the consistency of measures with a Contracting Party's international obligations.