

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG14/W/15

5 November 1987

Special Distribution

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

Original: English

COMMUNICATION FROM SWITZERLAND

The following communication dated 2 November 1987 has been received from the delegation of Switzerland with the request that it be circulated to members of the Group.

**IMPROVEMENT OF THE OVERALL EFFECTIVENESS AND
DECISION-MAKING OF THE GATT AS AN INSTITUTION**

1. In accordance with the Negotiating Plan of the Group on Functioning of the GATT System, the delegation of Switzerland wishes to advance the following ideas with a view to the attainment of the objective set out in paragraph (ii) of the Group's negotiating objectives ("to improve the overall effectiveness and decision-making of the GATT as an institution, including, inter alia, through involvement of Ministers").
2. The Swiss delegation noted in its earlier communication, circulated under Reference MTN.GNG/NG14/W/7, that objectives (i) and (ii) of the Negotiating Plan primarily address the internal functioning of the GATT, whereas objective (iii) refers to the functioning of GATT in relation to the external environment, i.e. the task of achieving greater coherence in global economic policy-making. Although these objectives differ in their orientation, it is nevertheless evident, that they are closely interrelated and mutually interdependent.

Objective (ii) constitutes the necessary institutional link between a more effective GATT as a treaty and its strengthened role in international economic cooperation as a whole. Adequate overall surveillance and capacities for monitoring the functioning of the world economy are necessary to make GATT a more effective institution both internally and externally in particular.

3. As one way of improving effectiveness and decision-making of GATT, objective (ii) stipulates inter alia the involvement of Ministers. Although other means should not be discarded, the Swiss delegation considers a deeper and more intense ministerial involvement an important support for the achievement of this objective provided contractual obligations of individual contracting parties are not hampered.
4. In MTN.GNG/NG14/W/7, which addresses objective (iii), the Swiss delegation proposed the establishment of a body, at ministerial level, built along the lines of CG.18, which would enable Trade Ministers to meet in the framework of GATT for the following purposes:
 - A) Evaluating the situation and trends of international trade policy,
 - B) Examining the interaction and coherence of trade, financial and monetary policies.
5. With respect to purpose A above, ministerial involvement is necessary for the following reasons:
 - 5.1 The existing bodies of the GATT are, by their very function, obliged to monitor the specific performance of contracting parties with regard to their contractual obligations. They have to concentrate on the operation of the GATT as an international treaty. They were not conceived for the task nor are they sufficiently equipped, to discuss the development and general conduct of trade policies as they relate to the multilateral economic system as a whole. The impact of such a debate would be greatly enhanced if it were to take place on the political level.
 - 5.2 The formulation of national trade policies could be favorably influenced by a better transparency brought about by ministerial discussions on the trade policy intentions of trading partners.

- 5.3 In a broader context, a closer and more intense involvement of Trade Ministers in the GATT as an institution would ensure a better link between the national policy level and the international dimension of trade.
- 5.4 Within the GATT, trade policy is subject to ministerial debate only occasionally. Though GATT is the central multilateral trade institution, Trade Ministers discuss trade policy in various other formal or informal fora much more regularly.
6. With respect to purpose B above, ministerial involvement is desirable for the following reasons:
- 6.1 Experience shows the growing linkages between trade and other economic policies affecting growth and development. The Punta del Este Declaration recognizes the importance of the international economic environment, and the contribution of the GATT to the international environment, among its very objectives. As an institution and a treaty, the GATT must ensure that these linkages are given the necessary attention at a political level.
- 6.2 Other areas of international economic cooperation rely on the existence of international organisations with executive functions and considerable financial, administrative and managerial resources. These allow for a more comprehensive approach to economic problems and for in-depth and meaningful dialogue. Given the different nature of GATT, only Ministers can ensure that trade policy concerns are adequately reflected in international economic cooperation.
- 6.3 Exchange of views among Trade Ministers may serve as a means to increase their awareness of common approaches or diverging views. This should result in better economic policy formulation at the national level.

7. The proposed Ministerial body should not be seen as a kind of "steering group" for the GATT. It shall not take any decisions which, by the provisions and the spirit of the General Agreement, are in the sole competence of the CONTRACTING PARTIES.
8. Switzerland generally favours the creation of a Ministerial body broadly in accordance with the model of the CG.18. Both its mandate and its composition may however require some adjustments.

The mandate of the group with regard to objective (iii) would include the elements outlined in paragraphs 5 and 6 above.

The composition of the proposed body will have to reflect a balanced representation of contracting parties. It is, however, important that the Ministerial body to be created remains relatively small in order to allow for effective discussion.

As Trade Ministers are called upon to discuss the linkages with financial and monetary relations, the composition of the body may also take into account the importance of individual contracting parties in these areas.