

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.TNC/4

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Special Distribution

Trade Negotiations Committee

TRADE NEGOTIATIONS COMMITTEE

Fourth Meeting: 17 December 1987

1. The Trade Negotiations Committee held its fourth meeting, under the chairmanship of Mr. Arthur Dunkel.

I. Periodic evaluation of the implementation of the
standstill and rollback commitments

2. The Chairman recalled the terms of the standstill and rollback commitments (Part I, Section C of the Ministerial Declaration) and the Decision adopted by the TNC in January 1987 (MTN.TNC/2, paragraph 8).

3. The Chairman of the Surveillance Body introduced the notes on its meetings of 13 October and 9 December 1987 (MTN.SB/3 and 4) including the records of its examination of standstill notifications, which, together with MTN.SB/1 and 2, gave a comprehensive account of the Body's activities and discussions over the first full year of the Uruguay Round. While the first meeting had largely been concerned with elaborating points of procedure, the subsequent meetings had reflected a rising level of activity on the three fronts of standstill, rollback and "early warning". The Surveillance Body had examined notifications by five participants alleging violations of the standstill commitment by four participants in relation to nine different trade-restrictive measures. On rollback, there had so far been fifteen communications in which five participants had asked for the dismantling of measures maintained by seven participants. Five rollback consultations had recently been held. The Body had recognized that more could perhaps be done to expedite the procedures, and had agreed that the chairman organize consultations on that point. The need to ensure through consultations progressive implementation of what was a very carefully framed rollback commitment was a widely-shared concern of participants. Increasing use had also been made of the Body as an "early warning" system to help capitals in resisting proposals for the introduction or intensification of protectionist measures. He concluded that the discussions in the Surveillance Body had indicated that participants recognized the value of its mechanisms and had begun to make active use of it as an instrument for achieving the effective implementation of the

standstill and rollback commitments. The Body would, he felt sure, continue to be concerned with improving the efficiency of its mechanism and procedures for this purpose. This was encouraging but not by itself enough. The mechanism provided for the TNC, on the basis of the material available to it, to make its own evaluation of the implementation of the standstill and rollback commitment in the global context of the Uruguay Round and in relation to the interests of individual participants.

4. The representative of Chile, with reference to the standstill commitment, expressed concern at the intention of the United States to exclude his and other countries from GSP treatment on grounds relating to workers' rights. Such an action would contravene both Part IV of the General Agreement, and paragraph 2(a), footnote 3 of the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (BISD, 26S/203). Furthermore, the subject of workers' rights did not fall within the competence either of the GATT or of the Uruguay Round and could not, therefore, be advanced here as a valid justification. Such discriminatory action by the United States in violation of the standstill commitment, would create a climate unfavourable to the progress of the negotiations. He noted that his country complied with international labour standards, competence for which was vested solely in the ILO. He urged the Government of the United States not to proceed with the proposed action. The representative of the United States noted that the substance of the statement by the representative of Chile should be addressed in the Surveillance Body. He recalled that GSP treatment was given unilaterally, outside the GATT, and that its withdrawal did not therefore violate GATT obligations. As workers' rights were not being negotiated in the Uruguay Round, discussion of the matter was inappropriate and the proposed action could not be considered to violate the standstill commitment.

5. The representative of Hong Kong recalled the concern expressed in the last meeting of the Group of Negotiations on Goods that implementation of the standstill and rollback commitment was in danger of falling behind progress in other areas of the negotiations. In particular, no rollback undertakings had so far been reported, despite the clear expectation in the Understanding of the Chairman of the TNC at the beginning of 1987 that some undertakings on rollback might be communicated to the Surveillance Body by the end of the year. The wording of the Ministerial Declaration also provided for the progressive implementation of the rollback commitment. He stressed that the standstill and rollback commitment could not be isolated from the unity of the Ministerial Declaration as rollback in particular was directly linked to some of the subjects of negotiation. If there was to be a satisfactory package of early results, that package would lack credibility if there was by then no satisfactory crop of rollback undertakings.

6. The representative of Mexico suggested that the Chairman of the Surveillance Body carry out informal consultations to clarify the scope and coverage of the rollback commitment with respect to export restraint

agreements, with particular reference to the steel sector. The representative of the EEC feared the repercussions that this might have with regard to the autonomous nature of rollback undertakings, possibly leading to exchanges of concessions. The representative of Hong Kong, supporting the Mexican proposal, recalled that the Ministerial Declaration stated that no GATT concessions would be requested for the elimination of such measures and that all trade restrictive or distorting measures inconsistent with the provisions of the General Agreement shall be phased out or brought into conformity within an agreed timeframe. The representative of Jamaica recalled that it had been agreed to have the reports of the Surveillance Body sent to the TNC and that the TNC had no competence to deal with the balance of rights and obligations in the GATT. In other words it had been agreed to treat the standstill and rollback commitments as political commitments. It was therefore out of place to raise these questions in the TNC. The representative of the United States undertook to bring this political matter to the attention of his authorities so that they might take not only a technical decision but also a political decision on how to address the issue of trade in steel.

7. The Committee took note of the statements, of the report of the Chairman of the Surveillance Body and of the fact that in the usual course of events the TNC would next take up the subject of standstill and rollback at a meeting in mid 1988.

II. Group of Negotiations on Goods: Report

8. The Chairman recalled that the Group of Negotiations on Goods had met twice since the last meeting of the TNC, on 12 October and 16 December 1987. The proceedings were recorded in MTN.GNG/9 and 10. Speaking as Chairman of the GNG, he reported that at the second meeting the GNG had carried out a review of progress under Part I of the Punta del Este Declaration, which it would pursue at a meeting on 18 February, when capitals had had the opportunity to consider in more detail the year's work. The relevance of the implementation of the Ministerial Declaration to the problems of the real world had been repeatedly emphasized. The economic background was no better than in September 1986, and while of crucial importance, the negotiations were only part of the general economic context. The need to respect the Declaration in its entirety as the basis for all work in the Uruguay Round, and the standstill and rollback commitments in particular, had been repeatedly underlined. Most speakers had insisted that balanced and global negotiations must result in mutual advantage and equivalence of benefits, and the major interests of developing countries had been recalled by a number of speakers. There had been a clear recognition of the need to create a climate of confidence and send a positive signal to the world. While recognizing the progress made so far, the GNG was aware that the larger and most difficult part of the job - the reconciliation of divergent positions - still lay ahead and that delegations and their authorities in capitals must be prepared to meet a heavy workload. The GNG took note of requests by many delegations that the work should be organized in such a way that all might participate

effectively. On the basis of statements made and reports received from the Negotiating Groups, he had concluded that the GNG could take note that the work required under the Initial Phase had progressed satisfactorily and he considered that the basis for moving forward the negotiating process as a whole had been laid. Finally, the GNG had (i) reconfirmed the appointments of Chairpersons of Negotiating Groups made in February 1987, and would review this decision at its first meeting in 1989; (ii) taken note of the list of dates for the initial meeting of Negotiating Groups in 1988; (iii) agreed the date of its own next meeting on 18 February 1988.

9. The representatives of Jamaica and Tanzania reiterated their concern that, in order to ensure effective application of differential and more favourable treatment, the GNG conduct, before the formal completion of the negotiations, an evaluation of the results in terms of the objectives and general principles governing the negotiation as set out in the Ministerial Declaration, taking into account all issues of interest to less developed contracting parties. There was a need to balance the widely divergent interests if the desired results were to be achieved. The representative of the EEC cautioned against participants upsetting the delicate balance of the Declaration by emphasizing particular concerns. The representative of Chile recalled that a year earlier the EEC representative had stated that the negotiations were one single undertaking. He, however, was pleased to note that Part I of the Ministerial Declaration was a decision of the CONTRACTING PARTIES, while Part II was outside the GATT.

10. The Committee took note of the report of the Chairman of the GNG and of the statements made.

III. Group of Negotiations on Services: Report

11. The Chairman recalled that since the last meeting of the TNC, the Group of Negotiations on Services had met three times, in September, November and December 1987. The proceedings were recorded in MTN.GNS/10, 11 and 12 respectively.

12. The Chairman of the GNS, reporting on his own responsibility, recalled that discussions in the Group had continued to centre on the five elements in the Programme for the Initial Phase of Negotiations (MTN.GNS/5) which had been taken up in rotation at each meeting. A number of proposals and communications, both general and specific, had been circulated. The Group had at its last meeting, carried out the stocktaking agreed in the programme for the initial phase of the negotiations (MTN.GNS/5). As a result, he could make the following statement: "The Group has made progress during 1987 in pursuance of the programme for the initial phase of negotiations as elaborated in MTN.GNS/5. It was recognized that, subsequent to the stocktaking, the negotiating programme will have to be carried forward further on the basis of the examination of the five elements in MTN.GNS/5, as well as other issues arising therefrom. In this process, submissions and statements by delegations will be addressed with a view to achieving concrete progress in the negotiations in accordance with

the negotiating objectives in the Punta del Este Declaration on trade in services. The Group appreciated the contributions made by participants in the shape of papers, proposals and statements. Participants are encouraged to make further contributions." The Group had also agreed on a calendar of meetings for the first half of 1988 as follows: 27-29 January; 22-25 March; 17-20 May; 18-21 July.

13. The Committee took note of the report.

IV. Review of progress in the negotiations

14. The representative of Switzerland expressed satisfaction at the progress so far. While the same tasks would need to be addressed further, it would also become necessary to focus on essentials and translate into operational reality those proposals on which a consensus would emerge. The decisions taken in the GNG and GNS would ensure the required continuity and flexibility. He subscribed to the sense of urgency attached to the negotiations in the light of overall economic conditions, and welcomed the idea of a ministerial mid-term review to take stock of progress and ensure timely completion of the negotiations.

15. The representative of the United States was satisfied with progress so far and stressed the importance of it being seen to improve the credibility of the multilateral trading system. He appreciated the wisdom of holding a ministerial mid-term review in the context of the single undertaking that it was the responsibility of the TNC to oversee.

16. The representative of India recalled the detailed statements he had made in the meetings of the GNG and GNS (MTN.GNG/10 and MTN.GNS/12).

17. The Committee took note of the statements made and agreed to the proposal made by the representative of Jamaica that for future meetings of the Committee the agenda should provide specifically for an overall review of progress in the negotiations.

V. Other Business

(a) Attendance of international organizations in the proceedings of the Uruguay Round

18. The Committee agreed to reconfirm the package adopted at its third meeting (MTN.TNC/3, Annex) with the addition of the FAO, IBRD, IMF and UNCTAD with respect to the Negotiating Group on Natural Resource-Based Products, and on the understanding that these arrangements can be reconsidered at any stage in the light of developments in the negotiating process.

(b) Chairmanship of the Surveillance Body

19. The Committee agreed that Mr. Madan Mathur continue to carry the responsibility of chairing the Surveillance Body.

(c) Mid-term review at ministerial level and dates of next meetings

20. The Chairman recalled that the formal basis for envisaging a meeting at ministerial level was to be found both in the first paragraph of the Ministerial Declaration and in the decision adopted by the TNC at its meeting on 27 October 1986 (MTN.TNC/1, paragraph 2(i)).

21. Some participants pointed out that the subject should have been properly placed on the agenda of the meeting, rather than being raised under "Other Business", so that it could have been addressed with necessary preparation.

22. The representative of Canada felt that a mid-term ministerial review would be necessary to take stock, register progress, perhaps implement some early results, and give the political impetus to the critical work required to ensure success in the final two years of the negotiations. He reiterated the offer made by Minister Carney to host such a meeting in Canada.

23. Many participants concurred on the usefulness of holding a ministerial mid-term review and expressed appreciation for the invitation extended. It was widely felt, however, that it was premature to define the exact objectives, framework and date of such a review. Some participants wished to consider the question carefully in the light of the progress of negotiations as well as the developments in the trading and other environment and needed more time for reflection and consultations. Some noted that the divergent views on these subjects were clearly stated in paragraphs 3 to 7 of the summing-up by the Chairman at the forty-third session of CONTRACTING PARTIES (SR.43/5, pages 11 and 12). One participant cautioned that the choice of date could influence progress in the negotiations. Another recalled the statements made by him at the meetings of the GNG and GNS as well as at the forty-third Session of the CONTRACTING PARTIES and emphasized that the question of mid-term review should not be equated with the idea of "early agreements". As far as the latter was concerned, the only negotiated basis for it was contained in Section B(ii) of Part I of the Punta del Este Declaration and it did not apply to Part II thereof. One participant hoped, with respect to venues for future TNC meetings at ministerial level, that opportunity would also be given to other parts of the world to make a contribution.

24. One participant recalled that the mid-term ministerial review had been envisaged to facilitate the negotiating process, e.g. to tackle certain specific problems in one or other negotiating group, to work out guidelines for settling difficulties of a political nature and to stimulate development of the negotiating process as a single undertaking. In his

view the Ministerial Declaration referred to the concept of a mid-term review implicitly in Part I, Section B(ii), on goods as well as in the decision regarding the first meeting of the TNC, covering also Part II on Services in the name of globality of the negotiation considered as a whole. During night sessions in Punta del Este, Ministers had agreed the principle of a mid-term review, rejecting at the same time more ambitious suggestions for annual ministerial involvement in the negotiating process. The question of venue had also been debated at length between contracting parties. These discussions had finally led to a gentlemen's agreement involving Punta del Este (for the launching), Canada (for a mid-term review) and Brussels (for the conclusion). His delegation's support for the choice of Canada for the mid-term review had to be seen in this context and would only be valid if all the understanding were to be implemented.

25. One participant, drawing on the provisions of the Ministerial Declaration and on the Chairman's understanding thereon (MTN.TNC/2), recalled the separate competences of the GNG, the TNC and the CONTRACTING PARTIES. As set out in the Punta del Este Declaration, the negotiations were in two parts (goods and services) and it was the rôle of the GNG, not the TNC, to take decisions in respect of negotiations on goods. He further noted that the implementation of results shall be decided by "Ministers meeting also on the occasion of a Special Session of CONTRACTING PARTIES". He further drew attention to the provisions of Section F(b) of the Declaration and the Chairman's understanding thereof, relating to the relative competences of contracting and non-contracting parties (MIN(86)/SR/7, page 2) and to Section B(ii) of the Declaration on the implementation of early results. With regard to such possible implementation at a ministerial mid-term review, it would thus be necessary to clarify whether the meeting was to be held on the occasion of a Special Session of CONTRACTING PARTIES or whether it would be solely a TNC meeting at ministerial level.

26. Summing up, the Chairman noted that not only had a position been reached from which it was possible to move forward in the negotiating process, but also that the holding of a mid-term review by the Trade Negotiations Committee at ministerial level had now for the first time been discussed in the appropriate forum. While there was quite wide support for the concept of such a meeting, the Committee was not yet in a position to decide on a date or on practical arrangements for the meeting. However, the venue for such a meeting was, in the absence of proposals other than that of Canada, now known, and on behalf of the Committee he thanked the delegation of Canada for its offer. The proposed meeting had a bearing on the advancement of the negotiating process, to which he hoped most efforts would be directed in the coming year. He proposed to start intensive consultations with a view to putting the Trade Negotiations Committee in a position to take the necessary decisions at a meeting to be held in the afternoon of 18 February 1988.

27. The Committee agreed to this proposal and took note of the statements made.

28. The Committee agreed to hold a further meeting in mid-1988 to carry out a periodic evaluation of the standstill and rollback commitment as provided for in MTN.TNC/2, Annex, paragraph 8, it being understood that this date would be subject to confirmation following consultations and that, if necessary, an earlier meeting could be called.