

**MULTILATERAL TRADE
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THE URUGUAY ROUND**

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COMMUNICATION FROM JAPAN

Structure of a Multilateral Framework
for Trade in Services

The attached communication is circulated at the request of the delegation of Japan to the members of the Group of Negotiations on Services.

Structure of a multilateral framework
for trade in services

Japan believes that it serves the purpose of further advancing the discussions in the GNS to depict a possible framework for trade in services, and hereby submits the following as a discussion paper. The Japanese submission is based on previous submissions put forward by the participants including Japan.

There are two approaches to the drafting of the general framework itself. One approach is to make it an enforceable arrangement by incorporating all the principles and rules which must be enforced in the general framework. The other approach is to make the general framework serve only as a standard model for specific sectoral agreements, and make the sectoral agreements enforceable. This approach aims at taking heed of the idiosyncracies of each service sector concerned. Japan has adopted the former approach in this submission, but we need to deepen our discussions further before we finally

decide on which approach to take. Japan, therefore, wishes to make it clear that the present submission does not prejudge Japan's position in the future.

1. Principles and Rules to be Enforced

(1) Transparency

The measures which affect trade in services are made public in principle. When inquiries are made by other participating countries regarding those measures, the responses could be given, for instance, through inquiry points which are established for this purpose.

(2) Most Favoured Nation Treatment (Non-Discrimination)

The benefits accruing from the framework (including those agreed to bilaterally between participating countries) are equally accorded to all participating countries on unconditional basis. The participating countries may reserve the application of MFN to the reciprocal international arrangements and the reciprocal measures stipulated by national laws and regulations.

Regional economic integration is covered in article (11).

(3) National Treatment

(i) Imported services, foreign service enterprises and sellers, and the agents are accorded treatment no less favourable than that accorded to like domestic services, domestic services enterprises and sellers.

(ii) National treatment applies to all new measures and to changes which strengthen discriminatory effects of the existing measures. Regarding the existing discriminating measures, the principle is applied to, to the extent not inconsistent with the existing laws and regulations of the participating countries. However, their reduction and elimination should be made subject to this and/or future rounds of negotiations.

(4) Special and Differential Treatment of Developing Countries

The participating countries provide technical assistance to developing countries regarding such matters as improvement of statistics of trade in services and researches on trade in services and its development.

Further examination is required to ascertain what kinds of additional provisions are necessary to address the needs of developing countries. It could take into account the result of the examination in GNG.

(5) State Enterprises

It is necessary to examine the rules to be applied to state enterprises, taking into account the provisions of the GATT Article XVII, and the special characteristics of trade in services.

(6) Subsidies

It is necessary to examine how we could make appropriate rules to curb the trade distorting effect of subsidies, taking into account the special characteristics of trade in services.

(7) Safeguard

It is necessary to examine the safeguards on trade in services with due heed to the disciplines of GATT on safeguard, and taking into account the special characteristics of trade in services and the result of the examination in GNG.

(8) Exceptions

It is necessary to examine the issue with reference in particular to the GATT Article XX and XXI, taking into consideration the special characteristics of trade in services.

(9) Consultation and Dispute Settlement Procedures

It is necessary to study the appropriate procedures with reference to the GATT Article XXII and XXIII, taking into account the special characteristics of trade in services.

(10) Regional and Local Governments

The participating countries take available measures which they deem appropriate to ensure the observance of the provisions of the framework on the part of the regional and local governments within their territories.

(11) Regional Economic Integration

It is necessary to examine regional economic integration on the basis of the GATT Article XXIV, taking into account the special characteristics of trade in services and the results of the examination in GNG.

(12) Evolving Arrangement

The participating countries review the framework periodically (e.g. every three years) in order to adjust it to the development of trade in services and changes in the forms of trade and so on.

2. Coverage

In concluding the framework, the participating countries also need to agree, through this round of negotiation, on the service sectors to be covered under the framework. However, the participating countries may make requests for reservations through this round of negotiation on the application of the principles of the framework regarding the measures which are difficult to bring into conformity with the principles.

3. Mechanism for Enforcement

(1). In agreeing on the framework, the participating countries negotiate the matters regarding 2. above. The contents of reservations are listed in the annex by each participating country. The participating countries shall refrain from taking new trade restrictive or distorting measures during the negotiation.

(2) Further examination is needed as to the institution and the mechanism which deal with all matters regarding the enforcement and management of the framework including the modality how the participating countries would continue to engage in reduction or elimination of existing discriminatory measures and reservations after the entry into force of the framework.

(3) The participating countries will hold multilateral negotiations on trade in services on a regular basis in order to attain more fully the objectives of the negotiation mentioned in the Punta Del Este Declaration.

4. The Relationship between the General Framework and the Sectoral Agreements

In cases where it is difficult to apply the principles in the general framework or when the removal of trade obstacles can not be ensured by the enforcement of the principles in the general framework alone, sectoral arrangements are to be established taking into account the special characteristics of each service sector.

The provisions of the sectoral agreements take precedence over those of the general framework.