

**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 DELEGATION OF INDIA

The attached paper is a communication from India on behalf of developing countries as a contribution to the deliberations of the Negotiating Group on Functioning of the GATT System on the first indent of the negotiating mandate:

"to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system."

This paper outlines the general thrust, and is without prejudice to specific positions which have been, or may be expressed by individual developing countries in the Negotiating Group.

GATT SECRETARIAT

UR-88-0272

Functioning of the GATT System (FOGS)

Introduction

The Negotiating Objective states that the negotiations shall aim to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral system.

2. In furtherance of the mandate to develop "understandings and arrangements" to attain the objective, it will be necessary to establish procedures for enhanced surveillance. The following are views on such a mechanism.

Objectives

3. As this objective speaks of enhancing the surveillance in GATT, it implies recognition that the existing surveillance needs to be strengthened. This requires, in particular, a regular monitoring of the trade policies and practices of the major trading countries who have predominant impact on the multilateral trading system so as to ensure symmetry in surveillance in the GATT. The negotiating mandate refers to the monitoring of trade policies and practices of contracting parties, as distinct from enforcement of GATT rights and obligations. Thus the enhanced surveillance will not serve as a basis for enforcement of specific GATT obligations or dispute settlement procedures and will not require any new obligations in this respect. Furthermore, the process of the review of trade policies and practices is not intended to lead to conclusions or recommendations which may be of a binding nature. Nor is it intended to establish the legal status of trade policies and practices. The process on the other hand should lead to improved adherence to the rules and disciplines of the GATT and this should serve to strengthen the multilateral trading system.

Scope

4. The enhancement of surveillance of trade policies and practices should concentrate on the major trading countries who have a predominant impact on the multilateral trading system.

5. The principles with reference to which the monitoring has to take place will be necessarily those which are embodied in the General Agreement. Moreover, the monitoring will be confined to trade policies and practices and will not encompass general economic policy framework.

6. While monitoring the trade policies and practices of developing countries, the review should also focus on their trade problems and prospects in the context of developments in the external environment and the functioning of the multilateral trading system. In doing so, the impact of developments in the financial and monetary environment on the trade of developing countries will need to be taken into account.

Frequency

7. The criterion of "impact on the functioning of the multilateral trading system" should be the determining factor in deciding on the frequency and design of reviews for contracting parties. In principle all contracting parties would be subject to periodic reviews. However, a longer time-frame will have to be envisaged for less-developed contracting parties, and in particular the least-developed among them. In addition to a longer time-frame, a simplified reporting format should be considered for the least-developed contracting parties. Further, it may be unproductive and burdensome for contracting parties subject to consultations under the GATT balance-of-payments provisions to be subject to a review within twenty-four months of such consultation.

Procedures and reporting format

8. The body for the conduct of enhanced surveillance should be the GATT Council in periodic Special Session which is open-ended. The process of

periodic review of trade policies and practices should be self-contained in GATT. It is not necessary to extend this process of review through teams visiting capitals. The trade policies and practices would be reviewed on the basis of an agreed format for the preparation of a factual background note by the secretariat incorporating all relevant elements of the notifications to GATT. The contracting party concerned would provide a separate report containing a profile of its trade policies and practices together with such background information as it deems appropriate, e.g. on factors affecting trade policies and practices.

The final report of the review body should be published.

Relationship to current Special Session of the GATT Council

9. The matter of the relationship of the procedures for enhanced surveillance outlined above to the functions of the current Special Session of the GATT Council which, inter alia, reviews developments in the trading system, will need to be addressed. Consideration should be given to incorporating this function in the procedures for enhanced surveillance. It is possible to envisage that in addition to the country-specific monitoring of trade policies and practices, the procedures for enhanced surveillance should also provide an overview of developments which have a major impact on the multilateral trading system. Such an overview would be assisted by a background report prepared by the GATT secretariat along the lines of its current overview section of documentation prepared for the Special GATT Council Session. One of the important objectives of the Special GATT Council Session has been to serve as an "early warning" mechanism. The procedures for enhanced surveillance should seek to strengthen this rôle.