

MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG14/W/27

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

Original: English

SUBMISSION BY THE DELEGATION OF JAMAICA

The following communication has been received from the delegation of Jamaica with the request that it be circulated to members of the Group.

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GATT: Uruguay Round - Negotiating  
Group on Functioning of the GATT System (FOGs)

Discussion Paper from Jamaica

A. Introduction

1) This communication sets out some further thoughts on objective (iii) of the Functioning of the GATT System. It should be read in conjunction with the two (2) previous communications submitted by Jamaica MTN.GNG/NG14/W/11 and MTN.GNG/NG14/W/22,<sup>and</sup> of the paper presented by India on behalf of developing countries MTN.GNG/NG14/W/23.

2) The letter circulated by the Chairman of the Negotiating Group of September 1988 "summarizes some of the substantive and procedural proposals". In light of the Chairman's paper and a number of proposals including some recent ones by Canada and Mexico the following are a number of specific issues for consideration.

B. 3) "Understandings and Arrangements to Increase the Contribution of GATT to Achieving Greater Coherence in Global Economic Policy-Making....."

- (i) Paragraphs 9-11 and the Annex to the communication from Jamaica MTN.GNG/NG14/W/22 proposes "that the Fund, Bank and UNCTAD representatives be invited to make written submissions covering

substantive areas related to the attainment of the Objectives of the Uruguay Round of multilateral trade negotiations (MTNs).

These submissions should also include their views on the ways in which the specific objective of securing "coherence" might be achieved. They may wish to provide specific answers inter alia to:

- (i) Enhanced multilateral surveillance - its content, procedures and disciplines; "coherence" between trade policies and macro-economic policies within national economies, at the international level and their "systemic" effects;
- (ii) monetary and financial issues supportive of trade liberalization and expansion and the development of developing countries;
- (iii) relations with member countries - the effectiveness of their surveillance functions and their collaboration with governments in promoting growth and development, including trade policy and structural reforms;
- (iv) the policies pursued and the facilities available in support of the development of developing countries including inter alia, provisions for special and more favourable treatment.

4. It is expected that these international organizations would focus on the responsibilities within their jurisdiction. They would of course, take account of the "global economic environment", the prospects for economic growth and development and the special issues that would need to be addressed to achieve the objectives.

5. The "understandings" might relate to substantive policy questions whereas "arrangements" might deal with institutional and procedural questions though there may be no clear distinction between the two. Participants may wish to give some attention to the following issues:

- (i) what should be the design of an appropriate policy framework as the basis for conducting any enhanced multilateral surveillance in GATT? There already exists within the Fund and the Bank highly developed policy frameworks. UNCTAD also carries out a review on "interdependence" and the "inter-relationship" between trade, money, finance and development.

In the GATT, the separate and discrete notification and consultation requirements serve broadly similar purposes, though the focus is not on "policy", but more on specific "measures". Some of the proposals put forward seek to change GATT's essential role and function and to make it into a "policy institution". (See Annex for comments on Draft Outline Format For Country Reports Under Trade Policy Review Mechanism. Revised Note by the Secretariat, 27th April, 1988);

- (ii) in the design of a strengthened and operationally effective GATT multilateral surveillance "system" (of principles, rules, procedures and mechanisms) there will need to be some assurance that this "system" can fulfil its new purpose with respect to the surveillance of national trade and trade-related policy measures. Is it to be assumed that the policy framework will include elements which allow for an evaluation of the impact of macro- and micro-economic policies one on the other for the attainment of trade liberalization and trade expansion. Would it not be necessary to include elements susceptible to the disciplines of the GATT? At the same time, would there be surveillance continuing in the other institutions according to their objectives, policy instruments and jurisdiction? Can they be made "coherent"? And given the sometimes differing and contradictory policies (political, social and economic) of governments should they be?

However, should the surveillance functions of the different organizations be geared to ensure "coherence" it would seem that a common policy framework would be more efficient, linking the respective policy instruments and performance indicators (the choice and mix of variables and key aggregates, like output growth and trade balances). Would these include qualitative and quantitative "targets"?

- (iii) the effectiveness of the multilateral surveillances! of the policy measures would depend on "disciplines"

- of which the institutions may dispose, either through "moral suasion" or by other means;
- (iv) in so far as the policies of the major industrial countries have a significant impact on (a) the smooth functioning of their own economies; (b) the economies of other countries particularly developing countries and (c) the functioning of the world economy (the open multilateral trading system and the international monetary and financial system), will it not be necessary to ensure that the "surveillance functions" influence, in the right direction the policies of the major industrial countries?

It would seem that the functioning of effective domestic surveillance mechanisms within their national economies, with a view to ensuring "coherence" between trade policy and macro-economic policy is an indispensable sine qua non. These domestic surveillance mechanisms would be counterparts to, and complement the enhanced multilateral mechanism(s) in the GATT.

6. In light of the above, participants will then need to give consideration to the following:

- (i) Should GATT be transformed into a "policy institution", when so much still remains to be done in liberalizing trade through the identification of measures which can be quantified and the application of disciplines in a transparent manner?

- (ii) Is there a case for developing further  
"institutional" arrangements between/among  
the relevant international institutions (a)  
intergovernmental, (b) inter-secretariat,  
(c) country/secretariat (GATT) consultations,  
etc.

ANNEX

The following suggestions are inserted (the texts underlined and in square brackets) in the Outline and is without prejudice to any decision regarding the establishment of a possible "trade policy review mechanism".

Negotiating Group on Functioning  
of the GATT System

DRAFT OUTLINE FOR COUNTRY REPORTS UNDER  
TRADE POLICY REVIEW MECHANISM

OUTLINE FORMAT FOR COUNTRY REPORTS

A. Trade Policy Structure and Objectives

This section should aim to provide a general picture of the current structure and objectives of trade policy, including:

- Objectives of trade policies in relation to overall national economic policy;
- General description of system for control of imports and exports and for (import and) export promotion. This should include a description of the use and the rationale for the main trade policy instruments listed in the tabular appendix (Annex I);
- Sectoral features of trade policy instruments in force. (Reference should be made to the measures in the tabular appendix). Where particular sectoral trade policies have evolved, an explanation should be provided of their economic goals and significance. The date of introduction of non-tariff measures applying to imports or exports in these sectors should be noted, as well as any material changes in unbound tariffs (and other charges);
- Domestic laws and regulations providing basis for application of trade measures;

- Description of any summary of responsibilities and functions of any regulatory bodies concerned in the administration of trade policies, including any bodies or mechanisms which assess the economic effects of trade measures or of industry requests for government assistance; (State trading institutions, monopolies for imports and exports, restrictive business practices including internal distribution systems.)
- Domestic surveillance mechanisms.

B. Major external factors affecting trade policies

This section might include, inter alia, the following elements:

- Terms of trade and commodity price developments since the last review;
- Recent developments in imports and exports, overall balance-of-payments situation, reserves and debt position, exchange rate and interest rate developments, etc., and underlying reasons;
- Problems of market access facing exports, in particular barriers introduced by trading partners in the period since the last review, including VERs or OMAs;
- (Long-term Arrangements between developed countries - for commodities such as grain, oil etc.)

C. Developments in policies related to trade

This section should describe any changes in trade policies or measures during a recent historical period (in the case of the initial report) or the period since the last review (in the case of subsequent full reports). This might include the following elements:

- Recently enacted or significant pending legislation relating to trade policies;
- New measures, regulations or decisions introduced under existing legislation (to the extent these have been notified to GATT, reference need only be made to the relevant notifications);
- (Existing and) new bilateral, regional or preferential trading agreements, their scope, duration and expected effects;
- Programmes in existence or about to be introduced for trade liberalization overall or in any sectors.

- D. - (Main findings emanating from the surveillance of macro-economic, monetary, fiscal, exchange rate and trade policies of developed market economy countries by international financial institutions, particularly the IMF and the surveillance mechanisms associated with it and the OECD and its bodies, the follow-up actions recommended or taken, and implications for future developments.)