

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.TNC/11

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Special Distribution

Trade Negotiations Committee

MID-TERM MEETING

This document sets out the entire package of results adopted by the Trade Negotiations Committee at its mid-term review held in Montreal on 5-9 December 1988 and in Geneva on 5-8 April 1989.

A record of the Montreal meeting has been circulated as MTN.TNC/8(MIN). A record of the meeting held in Geneva on 5-8 April 1989 will be issued as MTN.TNC/10.

PART I

NEGOTIATIONS ON TRADE IN GOODS

SURVEILLANCE OF STANDSTILL AND ROLLBACK

Ministers, noting the political importance of the standstill and rollback undertaking:

- (a) affirm their determination to ensure that the standstill and rollback commitments are met;
- (b) emphasize the need to take appropriate action to ensure withdrawal of all measures contrary to the standstill commitment, taking into account that there are a number of measures which have been ruled GATT-inconsistent by panel reports adopted by the CONTRACTING PARTIES;
- (c) recognize the importance of regular discussions in the Surveillance Body of trade measures, including those not yet in force, which may have an effect on the standstill commitment;
- (d) emphasize the need for timely action on rollback, and prompt response to rollback requests, so as to ensure progressive implementation of the rollback commitment on an equitable basis;
- (e) urge participants, without prejudice to the existing procedures, to indicate to the Surveillance Body how and when they intend to proceed to rollback measures covered by the commitment, taking into account the fact that there are a number of measures which have been ruled GATT-inconsistent by panel reports adopted by the CONTRACTING PARTIES;
- (f) invite participants to examine carefully measures which they maintain, whether or not these have been notified, in order to determine what actions they should take to progressively implement their rollback commitments. Such actions could be self-initiated, could result from requests and consultations, and should be taken on a GATT-consistent basis;
- (g) agree that participants should communicate the conclusions of their consideration to the Surveillance Body promptly; and
- (h) agree that at its meeting in July 1989 the Trade Negotiations Committee should carry out a substantive evaluation of the implementation of the standstill and rollback commitments (including evaluation of avoidance of disruptive effects on the

trade of less-developed contracting parties) and its impact on the process of multilateral trade negotiations and in relation to the interests of individual participants, with a view to taking such procedural or other action as may be appropriate.

SUBJECTS FOR NEGOTIATIONS

TARIFFS

1. Ministers agree that substantive negotiations will begin no later than 1 July 1989, and that tariff and trade data will be exchanged accordingly. They instruct their representatives to establish detailed procedures, approaches and methods necessary for the negotiations.
2. Reiterating the importance of reducing and eliminating tariffs and expanding the scope of tariff concessions as agreed in the Punta del Este Declaration and subject to the understanding that the participation of developing countries in the tariff negotiations would be in accordance with the general principles governing the negotiations, including Part I.B, paragraphs (iv)-(vii) of the Declaration, Ministers agree on the following:
 - (a) A substantial reduction or, as appropriate, elimination of tariffs by all participants with a view to achieving lower and more uniform rates, including the reduction or elimination of high tariffs, tariff peaks, tariff escalation and low tariffs, with a target amount for overall reductions at least as ambitious as that achieved by the formula participants in the Tokyo Round.
 - (b) A substantial increase in the scope of bindings, including bindings at ceiling levels, so as to provide greater security and predictability in international trade.
 - (c) The need for an approach to be elaborated to give credit for bindings; it is also recognized that participants will receive appropriate recognition for liberalization measures adopted since 1 June 1986.
 - (d) The phasing of tariff reductions over appropriate periods to be negotiated.
3. Individual participants attach importance to assessing progress made in achieving real improvements in conditions of market access.
4. Participants have agreed that in the negotiation of tariff concessions, current nomenclatures should be employed and that the base rates for the negotiations will be the bound m.f.n. rates and, for unbound rates, the normally applicable rates in September 1986.

NON-TARIFF MEASURES

1. Ministers recognize that the reduction or elimination of non-tariff measures by all participants is a central element of a successful outcome of the Uruguay Round. Recognizing the importance of achieving substantially improved market access, Ministers agree that, in order to ensure effective trade liberalization, results from negotiations on non-tariff measures should be substantial.

2. Subject to the understanding that the participation of developing countries in the negotiations on non-tariff measures would be in accordance with the general principles governing the negotiations, including Part I.B, paragraphs (iv) - (vii) of the Declaration, Ministers agree to the following guidelines for the conduct of negotiations on non-tariff measures:

- (a) Various negotiating approaches can be applied to these negotiations, including multilateral, formula and request-offer approaches. However, approaches which ensure the widest participation and broadest possible liberalization are to be preferred.
- (b) These negotiations shall be without prejudice to any action to be taken in fulfilment of the rollback commitments contained in Part I.C of the Ministerial Declaration, which state, inter alia, that there shall be no GATT concessions requested for the elimination of GATT-inconsistent measures.
- (c) Transparency will be ensured in the negotiations whose results are to be applied in accordance with the basic principles of the General Agreement.
- (d) To ensure that concessions to reduce or eliminate non-tariff measures are not subsequently nullified or impaired, participants agree to explore the most appropriate measures to achieve this objective.
- (e) There should be provisions for immediate or staged implementation of results over agreed time-frames.
- (f) Individual participants will attach importance to assessing progress made in achieving real improvements in conditions of market access.
- (g) If elimination of a non-tariff measure is not possible, consideration may be given to transforming it into a tariff.
- (h) Participants will receive appropriate recognition for the liberalization measures which they have adopted.

3. Recognizing the importance of receiving proposals from both developed and developing countries, Ministers agree that the Negotiating Group will:

- (a) with regard to the categories of measures for which multilateral rule-making approaches are proposed, examine relevant provisions in the General Agreement and in other agreements and will consider how to deal with the problems raised;
- (b) examine proposals made for multilateral formula approaches with a view to reaching an understanding on the applicability and, if appropriate, scope and procedures for such negotiations;
- (c) review the secretariat's sorting of indicative lists of non-tariff measures for which request-and-offer approaches are proposed with a view to reaching an understanding on the scope and procedures for such negotiations; and,
- (d) by June 1989, aim to establish a framework for future negotiations, including procedures, taking into account the above principles and guidelines, so as to initiate detailed negotiations.

NATURAL RESOURCE-BASED PRODUCTS

1. Ministers agree that:

- (a) participants will continue to pursue the objective of fullest liberalization of trade in natural resource-based products, including in their processed and semi-processed forms, as agreed in the negotiating objective and consistent with the overall objectives embodied in the Ministerial Declaration;
- (b) participants will continue to pursue and give effect to the negotiating plan for natural resource-based products;
- (c) participants will continue their examination of issues brought forward to date (MTN.GNG/NG3/W/14), without prejudice to additional products and issues participants may yet propose;
- (d) techniques will be developed to deal with specific issues and problems encompassed by the agreed negotiating objective taking into account negotiating approaches developed in other Groups to determine to what extent particular measures will be needed to ensure achievement of this negotiating objective; and
- (e) given the interrelationship of issues raised in natural resource-based products and other areas of negotiations in the Uruguay Round, it is necessary to ensure that the progress in negotiations on natural resource-based products is consistent with progress in other related areas.

2. The secretariat will continue to provide essential factual data on all relevant issues.

3. Ministers agree that effective negotiations should begin as soon as possible, it being recognized that the work on the three product areas already studied i.e. fisheries, forestry and non-ferrous metals and minerals is already well advanced.

4. In order to make this practicable, it has been agreed that participants would provide as much relevant trade and barrier data as possible by 30 June 1989.

TEXTILES AND CLOTHING

1. Ministers recognize that the sector of textiles and clothing is of great importance for the economies of many countries and particularly for the economic and social development of many developing countries and for the expansion of their export earnings.

2. Ministers, therefore, recognize that negotiations in this sector are one of the key elements in the Uruguay Round, and should contribute to further liberalization of trade.

3. With a view to achieving substantive results in this area of the negotiations, and bearing in mind the general principles governing the negotiations and the organization thereof as set out in Part I of the Punta del Este Declaration, Ministers agree that:

- (a) substantive negotiations will begin in April 1989 in order to reach agreement within the time-frame of the Uruguay Round on modalities for the integration of this sector into GATT, in accordance with the negotiating objective;
- (b) such modalities for the process of integration into GATT on the basis of strengthened GATT rules and disciplines should inter alia cover the phasing out of restrictions under the Multi-fibre Arrangement and other restrictions on textiles and clothing not consistent with GATT rules and disciplines, the time-span for such a process of integration, and the progressive character of this process which should commence following the conclusion of the negotiations in 1990;
- (c) to this end participants are invited to put forward additional proposals, preferably not later than 30 June 1989;
- (d) special treatment should be accorded to the least-developed countries.

4. To provide a positive climate for these negotiations, and without prejudice to the existing rights and obligations, and reaffirming their commitments embodied in Part I.C of the Punta del Este Declaration, all participants shall endeavour to improve the trade situation paving the way for the integration of the textiles and clothing sector into GATT.

AGRICULTURE

1. The Negotiating Group on Agriculture has made substantial progress in elaborating the elements of the negotiating proposals and submissions under the subsequent negotiating process. The stage has now been reached in this process where the general direction and procedures to be followed in the final phases of the negotiations need to be defined in operational terms so as to provide a framework for liberalizing trade in agriculture and bringing all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines.
2. There is a broad measure of consensus that agricultural policies should be more responsive to international market signals in order to meet the objective of liberalization of international trade and that support and protection should be progressively reduced and provided in a less trade-distorting manner.
3. The particular needs and conditions of developing countries should be fully taken into account at all stages of the negotiation in conformity with the principle of special and differential treatment to developing countries as laid down in the Punta del Este Declaration.
4. Ministers accordingly endorse a framework approach comprising the following interrelated long- and short-term elements and arrangements on sanitary and phytosanitary regulations.

A. LONG-TERM ELEMENTS AND GUIDELINES FOR REFORM

5. Ministers agree that the long-term objective of the agricultural negotiations is to establish a fair and market-oriented agricultural trading system and that a reform process should be initiated through the negotiation of commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines.
6. The above-mentioned long-term objective is to provide for substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets. This goal will be realized through negotiations on specific policies and measures, through the negotiation of commitments on an aggregate measurement of support, the terms of which will be negotiated, or through a combination of these approaches. Credit will be given for measures implemented since the Punta del Este Declaration which contribute positively to the reform programme.

7. In realizing the long-term objective stated above, the strengthened and more operationally effective GATT rules and disciplines, which would be equally applicable to all contracting parties, and the commitments to be negotiated, should encompass all measures affecting directly or indirectly import access and export competition, in particular:

Import access

- quantitative and other non-tariff access restrictions, whether maintained under waivers, protocols of accession or other derogations and exceptions, and all measures not explicitly provided for in the General Agreement, and the matter of conversion of the measures listed above into tariffs;
- tariffs, including bindings;

Subsidies and export competition

- internal support measures (including income and price support) which directly or indirectly affect trade;
- direct budgetary assistance to exports, other payments on products exported and other forms of export assistance.

Export prohibitions and restrictions

- export prohibitions and restrictions.

8. Ministers agree that:

- special and differential treatment to developing countries is an integral element of the negotiations particularly on the strengthened and more operationally effective GATT rules and disciplines;
- government measures on assistance, whether direct or indirect, to encourage agricultural and rural development are an integral part of the development programmes of developing countries;
- ways should be developed to take into account the possible negative effects of the reform process on net food importing developing countries.

Non-trade concerns

9. Participants recognize that factors other than trade policy are taken into account in the conduct of their agricultural policies. In the negotiations to achieve the long-term objective, account will be taken of proposals aimed at addressing participants' concerns such as food security.

Implementation

10. Implementation of the first tranche of agreed commitments on the long-term reform programme shall take place in 1991.

Work Programme

11. Participants are invited to advance by December 1989 detailed proposals for the achievement of the long-term objective, including the following:

- the terms and use of an aggregate measurement of support;
- strengthened and more operationally effective GATT rules and disciplines;
- the modalities of special and differential treatment for developing countries;
- sanitary and phytosanitary regulations and the work programme foreshadowed in (C) below;
- tariffication, decoupled income support, and other ways to adapt support and protection;
- ways to take account of the possible negative effects of the reform process on net food-importing developing countries.

12. Not later than the end of 1990, participants will agree on the long-term reform programme and the period of time for its implementation. Soon thereafter, taking into account the different national procedures for implementation of international agreements, participants will notify their plans for meeting the obligations and commitments agreed upon.

Surveillance

13. The reform programme will be subject to multilateral surveillance and other procedures necessary to ensure full compliance with commitments made in the negotiations.

B. SHORT-TERM ELEMENTS

14. With effect from the adoption of this decision and continuing until the formal completion of these negotiations on agriculture by December 1990, participants, within the scope of their existing legislation and their existing GATT rights and obligations, undertake to ensure that current domestic and export support and protection levels in the agricultural sector are not exceeded. Participants undertake to ensure that tariff and non-tariff market access barriers in force at the date of this decision are not subsequently intensified in relation to imports of agricultural products nor extended to additional products, including processed agricultural products. Participants shall be deemed to be in compliance with this undertaking so long as the access opportunities granted to individual products in 1989 and 1990 are not less than those granted on average in 1987 and 1988. Participants shall also ensure that support prices to producers, to be expressed in national currencies¹, that are set or determined directly or indirectly by governments or their agencies are not raised above the level prevailing at the date of this decision or otherwise take actions to ensure that the current levels of support for the commodity concerned are not increased.

15. Participants state their intention to reduce support and protection levels for 1990. This could be done either by using an AMS or by taking specific policy measures. They will notify the undertakings for fulfilling this commitment by October 1989.

Reporting requirements

16. Participants agree to report on their compliance with the above undertakings at six-month intervals. The first report shall be submitted not later than 1 December 1989.

17. Any participant may raise any matter relating to or affecting the observance of the commitments at a meeting of the Negotiating Group on Agriculture.

18. In exceptional circumstances² a participant can be relieved by the Negotiating Group on Agriculture of commitments under the above undertakings.

Developing countries

19. Developing countries are not expected to subscribe to the commitments under B.

¹ ECU in the case of the EEC.

² For particular countries excessive rates of inflation will be taken into account.

C. SANITARY AND PHYTOSANITARY REGULATIONS

20. Ministers endorse harmonization of national regulations as a long-term goal and a work programme embodying the following objectives:

- (1) develop harmonization of sanitary and phytosanitary regulations and measures, on the basis of appropriate standards established by relevant international organizations including the Codex Alimentarius Commission, the International Office of Epizootics and the International Plant Protection Convention;
- (2) strengthen Article XX so that measures taken to protect human, animal or plant life or health are consistent with sound scientific evidence and use suitable principles of equivalency;
- (3) review existing notification and counter-notification procedures to ensure transparency and the existence of an effective notification process for national regulations and bilateral agreements;
- (4) develop a consultative process which ensures transparency and allows opportunity for the bilateral resolution of disputes;
- (5) improve the effectiveness of the multilateral dispute settlement process within the GATT in order to provide the necessary input of scientific expertise and judgment, relying on relevant international organizations;
- (6) assess the possible effects on developing countries of the GATT rules and disciplines for sanitary and phytosanitary measures, and evaluate the need for technical assistance;
- (7) examine the possibilities for implementation of the above programme in the context of short-term elements.

TROPICAL PRODUCTS

1. Ministers take note of the results obtained thus far in negotiations and note that these will be implemented by January 1989 except as otherwise indicated*. These results will form an integral part of the overall achievement of the Uruguay Round.
2. In pursuance of their commitment to the objective of achieving the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms as contained in the Declaration of Punta del Este, Ministers agree to pursue negotiations on the seven product groups as identified in Section II, paragraph 46 of document MTN.GNG/13** with due regard, inter alia, to the following elements:
 - (a) Elimination of duties on unprocessed products.
 - (b) Elimination or substantial reduction of duties on semi-processed and processed products. These actions would include the objective of eliminating or reducing tariff escalation.
 - (c) Elimination or reduction of all non-tariff measures affecting trade in these products.
3. All participants agree to engage in such negotiations and make appropriate contributions towards achieving the above objective in accordance with the relevant provisions of the Punta del Este Ministerial Declaration including those contained in its Part I.B.
4. The Negotiating Group on Tropical Products at its next meeting is invited to make appropriate arrangements for continuation of negotiations on the basis of the above understandings.
5. The Negotiating Group shall, before the formal completion of negotiations, conduct an evaluation of the results attained therein in terms of the objectives of the negotiations.

*Document MTN.GNG/17 and Add.1. Autonomous unilateral contributions have also been tabled in the Negotiating Group on Tropical Products by Hungary (MTN.GNG/NG6/LT/39), South Africa (MTN.GNG/NG6/LT/45 and Add.1) and Czechoslovakia (MTN.GNG/NG6/LT/47).

**Tropical beverages; spices, flowers and plaiting products; certain oilseeds, vegetable oils and oilcakes; tobacco, rice and tropical roots; tropical fruits and nuts; natural rubber and tropical wood; jute and hard fibres. It was understood that this would not constitute a definition of tropical products nor an exhaustive listing and that other products might be included as negotiations proceed.

GATT ARTICLES

1. Ministers recognize the importance for the GATT system of reaching common views on the large number of issues under consideration in the Negotiating Group on GATT Articles, whose work should be directed towards clarifying the Articles, provisions and disciplines of the General Agreement and improving them as appropriate. This work should also take into account the close relationships between particular issues under discussion in the Group and between these and a number of subjects under negotiation in other Groups.

2. Ministers direct that the work of the Negotiating Group be vigorously pursued. To this end, they urge the Group to define the issues for negotiation with precision and clarity. Any specific proposals should be brought forward as soon as possible, and preferably not later than 31 December 1989.

MTN AGREEMENTS AND ARRANGEMENTS

1. Ministers note that the Group has largely completed the initial phase of clarifying issues and substantive negotiations are beginning to take place since some of the proposals already tabled are being analysed and reviewed and specific texts have been or will be tabled. The work of this Group is important in that:

- (a) the MTN Agreements which in some cases clarify and elaborate provisions of the General Agreement deal with very important issues in international trading relations;
- (b) the effective implementation of these Agreements, as well as further improvements, where appropriate, could by strengthening the GATT system have considerable bearing on the stability and predictability of trading conditions; and
- (c) widened membership of the Agreements by more countries could contribute to improving further the unity and consistency of the GATT system; in this connection, the appropriate and effective use of provisions for special and differential treatment, inter alia, could facilitate membership of developing countries.

2. In the light of the above and the progress made so far in the negotiations, Ministers urge the Group to pursue negotiations in this area vigorously, in accordance with the mandate of the Group and the negotiating plan. Early submission of specific texts from participants is encouraged, to expedite the process of negotiation.

SAFEGUARDS

Ministers stress the importance of concluding a comprehensive agreement on safeguards based on the basic principles of the General Agreement which would aim to re-establish multilateral control over safeguards, inter alia, by eliminating measures which escape such control. Ministers recognize that such an agreement is vital to the strengthening of the GATT system and to progress in the Multilateral Trade Negotiations. Accordingly, they:

- (a) take note of the in-depth examination of the specific elements which has contributed to a better understanding of the whole issue;
- (b) recognize that, because of the interrelationships between the elements, substantive agreement cannot be reached on individual elements in isolation;
- (c) recognize that safeguard measures are by definition of limited duration;
- (d) in the light of the decision of the Negotiating Group, authorize its Chairman, with the assistance of the secretariat and in consultation with delegations, to draw up a draft text of a comprehensive agreement as a basis for negotiation, without prejudice to the right of participants to put forward their own texts and proposals, preferably before the end of April 1989; and
- (e) agree to begin negotiations on the basis of the draft text by June 1989 at the latest.

SUBSIDIES AND COUNTERVAILING MEASURES

Ministers note that the framework outlined below has been developed from the discussions in the Group. It is intended to guide in a balanced way the conduct of negotiations in the Group with the objective of improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. The framework does not anticipate or prejudice any specific outcome of the negotiations and cannot prejudice the detailed negotiating positions of any participant on any issue. It is flexible and further issues may be added to it in the course of the negotiations. Further progress in the negotiations will depend on the submission of specific drafting proposals, as provided for in the negotiating plan.

Framework for Negotiations1. Prohibited Subsidies

1.1 Identification

1.1.1 Normative criteria (e.g. export subsidies - illustrative list)

1.1.2 Other criteria (e.g. quantitative)

1.2 Remedies (countermeasures, compensation, conditions of application, multilateral surveillance)

2. Non-Prohibited but Countervailable or Otherwise Actionable Subsidies

2.1 Conditions for countervailability or actionability

2.1.1 Definition (examples of issues to be considered: charge on the public account, preferentiality, specificity, so-called new practices) and calculation of the amount of a subsidy

2.1.2 Trade effects

2.1.2.1 In the market of the importing country (examples of issues to be considered: determination of injury including the question of cumulation and of minimum market share, causal link, definition of industry)

2.1.2.2 In the market of the subsidizing country (examples of issues to be considered: nullification or impairment, other aspects of import substitution)

2.1.2.3 In the third country market (examples of issues to be considered: displacement, serious prejudice)

2.2 Remedies

2.2.1 Countervailing duties (examples of issues to be considered: standing of petitioners, initiation and conduct of investigation, imposition and duration of countervailing measures, undertakings, sunset clause, amount of duty, circumvention)

2.2.2 Countermeasures and/or compensation (nature, conditions of application, multilateral mechanism)

3. Non-Countervailable, Non-Actionable Subsidies

3.1 Conditions for non-countervailability, non-actionability

3.1.1 Definition (examples of issues to be considered: general availability, non-preferentiality, no trade effects)

3.1.2 Other conditions (e.g. specific purpose, strict time-limits)

3.2 "Special safeguard" procedures

4. Special and Differential Treatment for Developing Countries
5. Notifications and Surveillance
6. Dispute Settlement

TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS, INCLUDING TRADE IN COUNTERFEIT GOODS

1. Ministers recognise the importance of the successful conclusion of the multilateral negotiations on trade-related aspects of intellectual property rights, including trade in counterfeit goods, that were initiated by the decision of the CONTRACTING PARTIES at Punta del Este.
2. Ministers recall the relevant provisions of the Punta del Este Declaration, including the objective of strengthening the role of GATT and of bringing about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines, as well as the general principles governing the negotiations set out in I.B of the Punta del Este Declaration, notably paragraphs (iv)-(vii).
3. Ministers agree that the outcome of the negotiations is not prejudged and that these negotiations are without prejudice to the views of participants concerning the institutional aspects of the international implementation of the results of the negotiations in this area, which is to be decided pursuant to the final paragraph of the Punta del Este Declaration.
4. Ministers agree that negotiations on this subject shall continue in the Uruguay Round and shall encompass the following issues:
 - (a) the applicability of the basic principles of the GATT and of relevant international intellectual property agreements or conventions;
 - (b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights;
 - (c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems;
 - (d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments, including the applicability of GATT procedures;
 - (e) transitional arrangements aiming at the fullest participation in the results of the negotiations.
5. Ministers agree that in the negotiations consideration will be given to concerns raised by participants related to the underlying public policy objectives of their national systems for the protection of intellectual property, including developmental and technological objectives.

6. In respect of 4(d) above, Ministers emphasise the importance of reducing tensions in this area by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures.

7. The negotiations shall also comprise the development of a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods.

8. The negotiations should be conducive to a mutually supportive relationship between GATT and WIPO as well as other relevant international organisations.

TRADE-RELATED INVESTMENT MEASURES

1. Ministers agree that, drawing on the work of the Group so far, and on the basis of existing and future submissions and proposals by participants, further work of the Negotiating Group shall, with the view of fulfilling the Punta del Este mandate, integrate the following elements into the negotiating process, not necessarily in the order given:

- (a) Further identification of the trade restrictive and distorting effects of investment measures that are or may be covered by existing GATT Articles, specifying those Articles.
- (b) Identification of other trade restrictive and distorting effects of investment measures that may not be covered adequately by existing GATT Articles but are relevant to the mandate of the Group given by the Punta del Este Ministerial Declaration.
- (c) Development aspects that would require consideration.
- (d) Means of avoiding the identified adverse trade effects of trade-related investment measures including, as appropriate, new provisions to be elaborated where existing GATT Articles may not cover them adequately.
- (e) Other relevant issues, such as the modalities of implementation.

2. In order to facilitate the negotiating process, participants are encouraged to make detailed written submissions, as early as possible in 1989, which provide, inter alia, a description of the trade restrictive and distorting effects of investment measures and of the operation and coverage of related GATT Articles.

DISPUTE SETTLEMENT

1. Ministers recommend approval by the CONTRACTING PARTIES of the improvements of the GATT dispute settlement rules and procedures set out below and their application on a trial basis from 1 May 1989 to the end of the Uruguay Round.
2. Ministers decide that the Negotiating Group on Dispute Settlement shall continue its work for the full achievement of the negotiating objective, taking into account proposals which have been presented and without prejudice to positions taken by participants. Such work would include, *inter alia*, further examination of improved and strengthened procedures concerning the implementation of recommendations or rulings of the CONTRACTING PARTIES, as well as of the definition, determination and modalities of compensation, and the issues raised in paragraphs A.2 and G.3 of the Dispute Settlement text in Section III of MTN.GNG/13.

Improvements to the GATT Dispute Settlement Rules and Procedures

A. General Provisions

1. Contracting parties recognize that the dispute settlement system of GATT serves to preserve the rights and obligations of contracting parties under the General Agreement and to clarify the existing provisions of the General Agreement. It is a central element in providing security and predictability to the multilateral trading system.
2. Contracting parties agree that all solutions to matters formally raised under the GATT dispute settlement system under Articles XXII, XXIII and arbitration awards shall be consistent with the General Agreement and shall not nullify or impair benefits accruing to any contracting party under the General Agreement, nor impede the attainment of any objective of the General Agreement.
3. Contracting parties agree that the existing rules and procedures of the GATT in the field of dispute settlement shall continue. It is further agreed that the improvements set out below, which aim to ensure prompt and effective resolution of disputes to the benefit of all contracting parties, shall be applied on a trial basis from 1 May 1989 to the end of the Uruguay Round in respect of complaints brought during that period under Article XXII or XXIII; it is also agreed to keep the application of these improvements under review during the remainder of the Round and to decide on their adoption before the end of the Round; to continue negotiations with the aim of further improving and strengthening the GATT dispute settlement system taking into account the experience gained in the application of these improvements.

4. All the points set out in this document shall be applied without prejudice to any provision on special and differential treatment for developing contracting parties in the existing instruments on dispute settlement including the CONTRACTING PARTIES' Decision of 5 April 1966.

B. Notification

Mutually agreed solutions to matters formally raised under GATT Articles XXII and XXIII, as well as arbitration awards within GATT, must be notified to the Council where any contracting party may raise any point relating thereto.

C. Consultations

1. If a request is made under Article XXII:1 or XXIII:1, the contracting party to which the request is made shall, unless otherwise mutually agreed, reply to the request within ten days after its receipt and shall enter into consultations in good faith within a period of no more than thirty days from the date of the request, with a view to reaching a mutually satisfactory solution. If the contracting party does not respond within ten days, or does not enter into consultations within a period of no more than thirty days, or a period otherwise mutually agreed, from the date of the request, then the contracting party that requested the holding of consultations may proceed directly to request the establishment of a panel or a working party.

2. If the consultations under Article XXII:1 or XXIII:1 fail to settle a dispute within sixty days after the request for consultations, the complaining party may request the establishment of a panel or a working party under Article XXIII:2. The complaining party may request a panel or a working party during the sixty day period if the parties jointly consider that consultations have failed to settle the dispute.

3. Requests for consultations under Article XXII:1 or XXIII:1 shall be notified to the GATT Council by the party which requests consultations. Any request for consultations shall be submitted in writing and shall give the reasons for the request.

4. In cases of urgency, including those which concern perishable goods en route, parties shall enter into consultations within a period of no more than ten days from the date of the request. If the consultations have failed to settle the dispute within a period of thirty days after the request, the complaining party may request the establishment of a panel or a working party.

D. Good Offices, Conciliation, Mediation

1. Good offices, conciliation and mediation are procedures that are undertaken voluntarily if the parties to the dispute so agree. They may be requested at any time by any party to a dispute. They may begin at any time and be terminated at any time. Once terminated, the complaining party can then proceed with a request for the establishment of a panel or a working party under Article XXIII:2. When good offices, conciliation or mediation are entered into within sixty days of a request for consultations, the complaining party must allow a period of sixty days from the date of the request for consultations before requesting the establishment of a panel or working party. The complaining party may request a panel or a working party during the sixty days if the parties to the dispute jointly consider that the good offices, conciliation or mediation process has failed to settle the dispute.

2. If the parties to a dispute agree, procedures for good offices, conciliation or mediation may continue while the panel or working party process proceeds.

3. The Director-General may, acting in an ex officio capacity, offer his good offices, conciliation or mediation with the view to assisting contracting parties to settle a dispute.

E. Arbitration

1. Expeditious arbitration within GATT as an alternative means of dispute settlement can facilitate the solution of certain disputes that concern issues that are clearly defined by both parties.

2. Resort to arbitration shall be subject to mutual agreement of the parties which shall agree on the procedures to be followed. Agreements to resort to arbitration shall be notified to all GATT contracting parties sufficiently in advance of the actual commencement of the arbitration process.

3. Other contracting parties may become party to an arbitration proceeding upon the agreement of the parties which have agreed to have recourse to arbitration. The parties to the proceeding shall agree to abide by the arbitration award.

F. Panel and Working Party Procedures

(a) Establishment of a Panel or a Working Party

The request for a panel or a working party shall be made in writing. It shall indicate whether consultations were held, and provide a brief summary of the factual and legal basis of the

complaint sufficient to present the problem clearly. In case the applicant requests the establishment of a panel or a working party with other than standard terms of reference, the written request shall include the proposed text of special terms of reference. If the complaining party so requests, a decision to establish a panel or working party shall be taken at the latest at the Council meeting following that at which the request first appeared as an item on the Council's regular agenda, unless at that meeting the Council decides otherwise.*

(b) Standard Terms of Reference

1. Panels shall have the following terms of reference unless the parties to a dispute agree otherwise within twenty days from the establishment of the panel:

"To examine, in the light of the relevant GATT provisions, the matter referred to the CONTRACTING PARTIES by (name of contracting party) in document L/... and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or in giving the rulings provided for in Article XXIII:2".

2. In establishing a panel, the Council may authorize its Chairman to draw up the terms of reference of the panel in consultation with the parties subject to the provisions of the preceding paragraph. The terms of reference thus drawn up shall be circulated to all contracting parties. If other than standard terms of reference are agreed upon, any contracting party may raise any point relating thereto in the Council.

(c) Composition of Panels

1. Contracting parties shall undertake, as a general rule, to permit their representatives to serve as panel members.

2. Panels shall be composed of well-qualified governmental and/or non-governmental individuals.

3. The roster of non-governmental panelists shall be expanded and improved. To this end, contracting parties may nominate individuals to serve on panels and shall provide relevant information on their nominee's knowledge of international trade and of the GATT.

*References to the Council, made in this paragraph as well as in the following paragraphs, are without prejudice to the competence of the CONTRACTING PARTIES, for which the Council is empowered to act in accordance with normal GATT practice (BISD 26S/215).

4. Panels shall be composed of three members unless the parties to the dispute agree, within ten days from the establishment of the panel, to a panel composed of five members.

5. If there is no agreement on the members within twenty days from the establishment of a panel, at the request of either party, the Director-General, in consultation with the Chairman of the Council, shall form the panel by appointing the panelists whom he considers most appropriate, after consulting both parties. The Director-General shall inform the contracting parties of the composition of the panel thus formed no later than ten days from the date he receives such a request.

(d) Procedures for Multiple Complainants

1. Where more than one contracting party requests the establishment of a panel related to the same matter, a single panel may be established to examine these complaints taking into account the rights of all parties concerned. A single panel should be established to examine such complaints whenever feasible.

2. The single panel will organize its examination and present its findings to the Council so that the rights which the parties to the dispute would have enjoyed had separate panels examined the complaints are in no way impaired. If one of the parties to the dispute so requests, the panel will submit separate reports on the dispute concerned. The written submissions by each of the complainants will be made available to the other complainants, and each complainant will have the right to be present when one of the other complainants presents its view to the panel.

3. If more than one panel is established to examine the complaints related to the same matter, to the greatest extent possible the same persons shall serve as panelists on each of the separate panels and the timetable for the panel process in such disputes shall be harmonized.

(e) Third Contracting Parties

1. The interests of the parties to a dispute and those of other contracting parties shall be fully taken into account during the panel process.

2. Any third contracting party having a substantial interest in a matter before a panel, and having notified this to the Council, shall have an opportunity to be heard by the panel and to make written submissions to the panel. These submissions shall also be given to the parties to the dispute and shall be reflected in the panel report.

3. At the request of the third contracting party, the panel may grant the third contracting party access to the written submissions to

the panel by those parties to the dispute which have agreed to the disclosure of their respective submission to the third contracting party.

(f) Time Devoted to Various Phases of a Panel

1. Panel procedures should provide sufficient flexibility so as to ensure high-quality panel reports, while not unduly delaying the panel process.

2. Panels shall follow the Suggested Working Procedures found in the July 1985 note of the Office of Legal Affairs unless the members of the panel agree otherwise after consulting the parties to the dispute. After consulting the parties, the panel members shall, as soon as practicable and whenever possible within one week after the composition and terms of reference of the panel have been agreed upon, fix the timetable for the panel process at least until its first substantive meeting.

3. In determining the timetable for the panel process, the panel shall provide sufficient time for the parties to the dispute to prepare their submissions.

4. Each party to the dispute shall deposit its written submissions with the secretariat for immediate transmission to the panel and to the other party or parties to the dispute. The complaining party shall submit its first submission in advance of the responding party's first submission unless the panel decides, in fixing the timetable referred to in the second paragraph of this section and after consultations with the parties to the dispute, that the parties should submit their first submissions simultaneously. When there are sequential arrangements for the deposit of first submissions, the panel shall establish a firm time period for receipt of the responding party's submission. Any subsequent written submissions shall be submitted simultaneously.

5. In order to make the procedures more efficient, the period in which the panel shall conduct its examination, from the time the composition and terms of reference of the panel have been agreed upon to the time when the final report is provided to the parties to the dispute, shall, as a general rule, not exceed six months. In cases of urgency, including those relating to perishable goods, the panel shall aim to provide its report to the parties within three months.

6. When the panel considers that it cannot provide its report within six months, or within three months in cases of urgency, it shall inform the Council in writing of the reasons for the delay together with an estimate of the period within which it will submit its report. In no case should the period from the establishment of the panel to the submission of the report to the contracting parties exceed nine months.

7. In the context of consultations involving a measure taken by a developing contracting party, the parties may agree to extend the periods established in paragraphs 2 and 4 of Section C. If, after the relevant period has elapsed, the parties cannot agree that the consultations have concluded, the Chairman of the Council shall decide, after consultation with the parties, whether to extend the relevant period and, if so, for how long. In addition, in examining a complaint against a developing contracting party, the panel shall accord sufficient time for the developing contracting party to prepare and present its argumentation. The provisions of paragraph 4 of Section G are not affected by any action pursuant to this paragraph.

G. Adoption of Panel Reports

1. In order to provide sufficient time for the members of the Council to consider panel reports, the reports shall not be considered for adoption by the Council until thirty days after they have been issued to the contracting parties.

2. Contracting parties having objections to panel reports shall give written reasons to explain their objections for circulation at least ten days prior to the Council meeting at which the panel report will be considered.

3. The parties to a dispute shall have the right to participate fully in the consideration of the panel report by the Council, and their views shall be fully recorded. The practice of adopting panel reports by consensus shall be continued, without prejudice to the GATT provisions on decision-making which remain applicable. However, the delaying of the process of dispute settlement shall be avoided.

4. The period from the request under Article XXII:1 or Article XXIII:1 until the Council takes a decision on the panel report shall not, unless agreed to by the parties, exceed fifteen months. The provisions of this paragraph shall not affect the provisions of paragraph 6 of Section F(f).

H. Technical Assistance

1. While the secretariat assists contracting parties in respect of dispute settlement at their request, there may also be a need to provide additional legal advice and assistance in respect of dispute settlement to developing contracting parties. To this end, the secretariat shall make available a qualified legal expert within the Technical Co-operation Division to any developing contracting party which so requests. This expert shall assist the developing contracting party in a manner ensuring the continued impartiality of the secretariat.

2. The secretariat shall conduct special training courses for interested contracting parties concerning GATT dispute settlement procedures and practices so as to enable contracting parties' experts to be better informed in this regard.

I. Surveillance of Implementation of Recommendations and Rulings

1. Prompt compliance with recommendations or rulings of the CONTRACTING PARTIES under Article XXIII is essential in order to ensure effective resolution of disputes to the benefit of all contracting parties.

2. The contracting parties concerned shall inform the Council of its intentions in respect of implementation of the recommendations or rulings. If it is impracticable to comply immediately with the recommendations or rulings, the contracting party concerned shall have a reasonable period of time in which to do so.

3. The Council shall monitor the implementation of recommendations or rulings adopted under Article XXIII:2. The issue of implementation of the recommendations or rulings may be raised at the Council by any contracting party at any time following their adoption. Unless the Council decides otherwise, the issue of implementation of the recommendations or rulings shall be on the agenda of the Council meeting after six months following their adoption and shall remain on the Council's agenda until the issue is resolved. At least ten days prior to each such Council meeting, the contracting party concerned shall provide the Council with a status report in writing of its progress in the implementation of the panel recommendations or rulings.

4. In cases brought by developing contracting parties, the Council shall consider what further action it might take which would be appropriate to the circumstances, in conformity with paragraphs 21 and 23 of the 1979 Understanding on Dispute Settlement.

FUNCTIONING OF THE GATT SYSTEM

1. Ministers agree that:

- (a) The decision to launch the Uruguay Round of multilateral trade negotiations was taken against a background of large external imbalances in the major industrial economies, instability in the international monetary system, growing protectionist pressures, and acute debt servicing difficulties in a number of countries, particularly developing countries. In the process of redressing these imbalances, the significance of trade policy making, capable of contributing towards growth and development, needs greater political and institutional recognition.
- (b) A solution to problems affecting the functioning of the world economy will require continuing and concerted efforts to improve the stability of the international economic environment and the flow of resources to developing countries. Efforts have been under way for some time and are continuing in international fora to improve the stability of the international economic environment and to deal with the debt problems of developing countries. Progress is being made but more needs to be done.
- (c) Difficulties the origins of which lie outside the trade field cannot be redressed through measures taken in the trade field alone. Hence, the importance of efforts to improve other elements of global economic policy making to complement the effective implementation of the improved GATT rules and disciplines to be achieved in the Uruguay Round.

2. The following represent first steps in the three closely linked areas that constitute the particular responsibility of the Negotiating Group on Functioning of the GATT System. They are guided by three general orientations:

- (a) First, the key contribution that GATT can make, through the Uruguay Round, towards greater coherence in global economic policy making will be to ensure a further expansion and liberalization of trade as well as a strengthened multilateral trading system which are of vital importance to all contracting parties and which are essential for the promotion of growth and development.
- (b) Second, institutional relationships between the GATT and other international institutions responsible for monetary and financial matters can be developed so as to promote a dialogue, within the sphere of competence of each institution, to facilitate policies and actions which enhance the complementarities that exist between them in order to improve the coherence of global economic policy making.

- (c) Third, the institutional reinforcement of the GATT would help it to improve its rôle in contributing towards such greater coherence in global economic policy making.

3. The package of decisions set out below covering surveillance of trade policies of contracting parties, greater involvement of Ministers in GATT affairs, and cooperation with the international monetary and financial institutions will help to maintain the rôle of GATT in global economic policy making, and provide a basis for further work by the Negotiating Group in the second half of the Uruguay Round.

Trade Policy Review Mechanism

4. Ministers recommend that the CONTRACTING PARTIES establish a trade policy review mechanism, as follows:

A. Objectives

- (i) The purpose of the mechanism is to contribute to improved adherence by all contracting parties to GATT rules, disciplines and commitments, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of contracting parties. Accordingly, the review mechanism will enable the regular collective appreciation and evaluation by the CONTRACTING PARTIES of the full range of individual contracting parties' trade policies and practices and their impact on the functioning of the multilateral trading system. It is not, however, intended to serve as a basis for the enforcement of specific GATT obligations or for dispute settlement procedures, or to impose new policy commitments on contracting parties.
- (ii) The assessment to be carried out under the review mechanism will, to the extent relevant, take place against the background of the wider economic and developmental needs, policies and objectives of the contracting party concerned, as well as of its external environment. However, the function of the review mechanism is to examine the impact of a contracting party's trade policies and practices on the multilateral trading system.

B. Reporting

- (i) In order to achieve the fullest possible degree of transparency, each contracting party shall report regularly to the CONTRACTING PARTIES. Initial full reports shall be submitted in the year when the contracting party is first subject to review: however, in no case shall the initial report be submitted later than four years after the introduction of the mechanism. Subsequently, full reports shall be provided in years when the contracting party is due for review. Full reports will describe the trade

policies and practices pursued by the contracting party or parties concerned, based on an agreed format to be decided upon by the Council. This format may be revised by the Council in the light of experience. Between reviews, contracting parties will provide brief reports when there are any significant changes in their trade policies; an annual update of statistical information will be provided according to the agreed format. Particular account will be taken of difficulties presented to least-developed contracting parties in compiling their reports. The secretariat shall make available technical assistance on request to less-developed contracting parties, and in particular to the least-developed contracting parties. Information contained in country reports should to the greatest extent possible be coordinated with notifications made under GATT provisions.

C. Frequency of Review

- (i) The trade policies and practices of all contracting parties will be subject to periodic review. Their impact on the functioning of the multilateral trading system, defined in terms of share of world trade in a recent representative period, will be the determining factor in deciding on the frequency of reviews. The first four trading entities so identified (counting the European Communities as one) will be subject to review every two years. The next sixteen will be reviewed every four years. Other contracting parties will be reviewed every six years, except that a longer period may be fixed for least-developed countries. It is understood that the review of entities having a common external policy covering more than one contracting party shall cover all components of policy affecting trade including relevant policies and practices of the individual contracting parties. Exceptionally, in the event of changes in a contracting party's trade policies or practices which may have a significant impact on its trading partners, the contracting party concerned may be requested by the Council after consultation to bring forward its next review.
- (ii) Contracting parties recognize the need to minimize the burden for governments also subject to full consultations under the GATT balance-of-payments provisions. To this end, the Chairman of the Council shall, in consultation with the contracting party or parties concerned, and with the Chairman of the Committee on Balance-of-Payments Restrictions, devise administrative arrangements which would harmonize the normal rhythm of the trade policy reviews with the time-table for balance-of-payments consultations but would not postpone the trade policy review by more than 12 months.

D. Review Body

- (i) Trade policy reviews will be carried out by the GATT Council at periodic special meetings.
- (ii) In the light of the objectives set out in A above, discussions in the meetings of the Council will, to the extent relevant, take place against the background of the wider economic and developmental needs, policies and objectives of the contracting party concerned, as well as of its external environment. The focus of these discussions will be on the contracting party's trade policies and practices which are the subject of the assessment under the review mechanism.
- (iii) The Council will establish a basic plan for the conduct of the reviews. It may also discuss and take note of update reports from contracting parties. The Council will establish a programme of reviews for each year in consultation with the contracting parties directly concerned. In consultation with the contracting party or parties under review, the Chairman may choose discussants who, in their personal capacity, will introduce the discussions in the review body.
- (iv) The Council will base its work on the following documentation:
 - (a) The full report, referred to in paragraph B(i) above, supplied by the contracting party or parties under review.
 - (b) A report, to be drawn up by the secretariat on its own responsibility, based on the information available to it and that provided by the contracting party or parties concerned. The secretariat should seek clarification from the contracting party or parties concerned of their trade policies and practices.
- (v) The reports by the contracting party under review and by the secretariat, together with the summary record of the respective meeting of the Council, will be published promptly after the review.
- (vi) These documents will be forwarded to the next regular Session of the CONTRACTING PARTIES, which will take note of them.

E. Implementation and Reappraisal of the Mechanism

The trade policy review mechanism will be implemented on a provisional basis from the date of the adoption of this Decision by the CONTRACTING PARTIES. In the light of the experience gained from its operation, the CONTRACTING PARTIES will review, and if necessary modify, these arrangements at the end of the Uruguay Round.

F. Overview of Developments in the International Trading Environment

Enhanced surveillance requires, in addition, an overview of developments in the international trading environment which are having an impact on the multilateral trading system. Such an overview should also be undertaken by the Council. It should be assisted by an annual report by the Director-General setting out major GATT activities and highlighting significant policy issues affecting the trading system. The enhanced surveillance thus provided would also strengthen the existing "early warning" aspect of the special meetings of the Council. It is understood that this overview by the Council, together with the trade policy review mechanism, would replace the existing reviews in special Council meetings established under paragraph 24 of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance.

Greater Ministerial Involvement in the GATT

5. Ministers recommend that the CONTRACTING PARTIES decide to meet at Ministerial level at least once every two years, in order, inter alia:

- (a) to make a fuller contribution to the direction and content of GATT work;
- (b) to reinforce the commitment of governments to the GATT system;
- (c) to give greater prominence to GATT in domestic political arenas;
- (d) to assess trends in international trade and place these trends in their wider economic and political context;
- (e) to enable the CONTRACTING PARTIES to contribute effectively to international discussion at the policy level of the international adjustment process; and by these means
- (f) to increase the contribution of the GATT to greater coherence in global economic policy making.

Increasing the Contribution of the GATT to Achieving Greater Coherence in Global Economic Policy Making

6. Ministers recommend that the CONTRACTING PARTIES:

- (a) invite the Director-General to approach the heads of the IMF and the World Bank, as a first step, to explore ways to achieve greater coherence in global economic policy making through strengthening the relationship of GATT with other relevant international organizations; and

- (b) request him to report back by 1 September 1989, and, in his report, to take into account the views, issues and proposals raised in the context of the Negotiating Group.

Further Work on Improvement of the Functioning of the GATT System

7. Ministers agree that:

- (a) the Group should continue to explore other means by which to improve the overall effectiveness and decision making of the GATT;
- (b) the Group should also continue work on its third negotiating objective of increasing the contribution of GATT to achieving greater coherence in global economic policy making, including the examination of the other substantive questions which have been raised to date; and
- (c) the Group should complete by 30 June 1989 its work on the draft format for country reports under the trade policy review mechanism (see annex to the text on the Functioning of the GATT System in Section II of the report of the GNG).

PART II

NEGOTIATIONS ON TRADE IN SERVICES

1. Ministers reaffirm the objectives for negotiations on trade in services agreed at Punta del Este. Ministers agree that substantial progress has been achieved in pursuit of these objectives.
2. Ministers take note of the report of the GNS to the TNC contained in MTN.GNS/21 which they consider an important basis for further work directed towards the achievement of these negotiating objectives. This work should proceed in a parallel and interrelated fashion.
3. Ministers note the understanding reached on statistics and on existing international arrangements and disciplines as set out in paragraphs 7 and 8 of the GNS report.
4. Work on definition should proceed on the basis that the multilateral framework may include trade in services involving cross-border movement of services, cross-border movement of consumers, and cross-border movement of factors of production where such movement is essential to suppliers. However, this should be examined further in the light of, inter alia, the following:
 - (a) Cross-border movement of service and payment.
 - (b) Specificity of purpose.
 - (c) Discreteness of transactions.
 - (d) Limited duration.
5. Ministers agree that work should proceed, without excluding any sector of trade in services on an a priori basis, with a view to reaching agreement on the sectoral coverage under the multilateral framework in accordance, inter alia, with the considerations that coverage should permit a balance of interests for all participants, that sectors of export interest to developing countries should be included, that certain sectors could be excluded in whole or in part for certain overriding considerations, and that the framework should provide for the broadest possible coverage of sectors of interest to participants.
6. Ministers agree that, before the concepts, principles and rules which comprise a multilateral framework for trade in services are finally agreed, these concepts, principles and rules will have to be examined with regard to their applicability and the implications of their application to individual sectors and the types of transactions to be covered by the multilateral framework.
7. Ministers agree that negotiations on the elaboration of a multilateral framework of principles and rules for trade in services should proceed expeditiously. To this end, the following concepts, principles and rules are considered relevant:

(a) Transparency

Provisions should ensure information with respect to all laws, regulations and administrative guidelines as well as international agreements relating to services trade to which the signatories are parties through adequate provisions regarding their availability. Agreement should be reached with respect to any outstanding issues in this regard.

(b) Progressive Liberalization

The negotiations should establish rules, modalities and procedures in the multilateral framework agreement that provide for progressive liberalization of trade in services with due respect for national policy objectives including provisions that allow for the application of principles to sectors and measures. Provisions should also be established for further negotiations after the Uruguay Round. Specific procedures may be required for the liberalization of particular sectors.

The aim of these rules, modalities and procedures should be to achieve, in this round and future negotiations, a progressively higher level of liberalization taking due account of the level of development of individual signatories. To this end the adverse effects of all laws, regulations and administrative guidelines should be reduced as part of the process to provide effective market access, including national treatment.

The rules, modalities and procedures for progressive liberalization should provide appropriate flexibility for individual developing countries for opening fewer sectors or liberalizing fewer types of transactions or in progressively extending market access in line with their development situation.

(c) National Treatment

When accorded in conformity with other provisions of the multilateral framework, it is understood that national treatment means that the services exports and/or exporters of any signatory are accorded in the market of any other signatory, in respect of all laws, regulations and administrative practices, treatment "no less favourable" than that accorded domestic services or services providers in the same market.

(d) Most-Favoured-Nation/Non-Discrimination

The multilateral framework shall contain a provision on m.f.n./non-discrimination.

(e) Market Access

When market access is made available to signatories it should be on the basis that consistent with the other provisions of the multilateral framework and in accordance with the definition of trade in services, foreign services may be supplied according to the preferred mode of delivery.

(f) Increasing Participation of Developing Countries

The framework should provide for the increasing participation of developing countries in world trade and for the expansion of their service exports, including inter alia through the strengthening of their domestic services capacity and its efficiency and competitiveness.

Provisions should facilitate effective market access for services exports of developing countries through, inter alia, improved access to distribution channels and information networks. These provisions should facilitate liberalization of market access in sectors of export interest to developing countries.

Autonomous liberalization of market access in favour of services exports of developing countries should be allowed.

Particular account shall be taken of the serious difficulty of the least-developed countries in accepting negotiated commitments in view of their special economic situation and their development, trade and financial needs.

(g) Safeguards and Exceptions

Further negotiations will be necessary on provisions for safeguards, e.g. for balance-of-payments reasons, and exceptions, e.g. based on security and cultural policy objectives.

(h) Regulatory Situation

It is recognized that governments regulate services sectors, e.g. by granting exclusive rights in certain sectors, by attaching conditions to the operations of enterprises within their markets for consumer protection purposes and in pursuance of macro-economic policies. Asymmetries exist with respect to the degree of development of services regulations in different countries. Consequently, the right of countries, in particular of developing countries, to introduce new regulations is recognized. This should be consistent with commitments under the framework.

8. Other elements mentioned in MTN.GNS/21, as well as new ideas and concepts participants may wish to put forward, will also be considered.

9. It is understood that the acceptability of the multilateral framework will be dependent on the initial level of negotiated commitments of signatories.

Future Work

10. Future work should provide for:

- (a) The compilation by the secretariat of a reference list of sectors by 20 April 1989. This process could be assisted by submissions by participants.
- (b) Invitation to participants to submit indicative lists of sectors of interest to them with a target date of May 1989.
- (c) The process of examining the implications and applicability of concepts, principles and rules for particular sectors and specific transactions should begin as lists become available.
- (d) Further work as necessary on the role of international disciplines and arrangements and on the question of definition and statistics.

11. The GNS should endeavour, by the end of 1989, to assemble the necessary elements for a draft which would permit negotiations to take place for the completion of all parts of the multilateral framework and its entry into force by the end of the Uruguay Round.