

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG14/11
23 May 1989

Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Functioning
of the GATT System

MEETING OF 1 and 3 MAY 1989

Note by the Secretariat

1. The Negotiating Group met on 1 and 3 May 1989 under the chairmanship of Ambassador J.A. Lacarte-Muro (Uruguay). The Agenda contained in GATT/AIR/2760 was adopted.

A. Discussion of Format for Country Reports under the Trade Policy Review Mechanism

2. The Chairman recalled that a draft format had been included in the Group's submission in MTN.GNG/13 to the meeting of the Trade Negotiations Committee (TNC) in Montreal. Recently, an alternative format had been proposed by Canada and circulated in MTN.GNG/NG14/W/33. He invited the representative of Canada to introduce the new proposal and other participants to comment on GNG/13 and the Canadian text.

3. The representative of Canada said that it was clear the Group had not been close to agreement prior to the Montreal meeting on the draft format contained in GNG/13. The alternative being proposed by Canada attempted to take account of the concerns expressed then by participants and to improve on the text in GNG/13. It represented a reorganisation of the structure of the draft format in GNG/13 and an attempt to clarify in some areas the type of information being requested, but there remained much similarity to the draft format. He pointed this out in detail, along with the small amount of new material contained in the Canadian text. The main difference from GNG/13 was the inclusion of an Annex which set out an indicative list of the types of measures that should be included in countries' reports and which, it was believed, could facilitate the preparation of those reports.

4. In Canada's view, the proposed changes that were being put forward could not be considered to upset the balance that had been sought in the draft format contained in GNG/13 since no agreement had been reached on that format. Also, the Canadian format was consistent with the agreed objectives of the exercise, and the indicative list in the Annex of Canada's proposal only made specific what was already called for in GNG/13. The representative of Canada added that the demands on national authorities in drawing up country reports would likely be greatest the first time around and that thereafter most of the focus would be on the implementation of trade policy since the last review. Finally, he suggested that, if agreement on the format could not be reached at once, the Group might consider setting up a technical working group to resolve the matter.

5. Several participants emphasised the importance they attached to the completion of work on the draft format for country reports by the agreed date of 30 June 1989. Many supported the establishment of a technical group to work on details of the draft format and report back to the Negotiating Group at its next meeting, and a number said that they would reserve their substantive comments on GNG/13 and on the Canadian text for such a group if indeed it was decided to set one up. One participant stated that deep differences of view appeared to exist over the matter of format and he registered concern about whether it would be possible to resolve these in a technical working group before the agreed deadline. This participant stated that his delegation was prepared to adopt the draft format in GNG/13 as it stood, particularly in view of the agreement by the TNC that it could be revised in the light of experience. In his view it could be improved on, for example by highlighting unilateral and bilateral actions, but it reflected more faithfully than the Canadian text the balance between trade policies, impact on the multilateral trading system and external factors that had been established in the agreement by the TNC. Some other participants also indicated their willingness to adopt the draft format in GNG/13 if a consensus could be found in the Group to do so.

6. Some participants gave their preliminary comments on GNG/13 and on the alternative proposal by Canada. Several emphasised the importance of designing the format in the light of the objectives of the Trade Policy Review Mechanism agreed on by the TNC. A number of them considered that the format proposed by Canada would not meet those objectives, especially for the trade policy reviews of developing contracting parties. On the one hand, too much detail was being asked for, which inter alia could overburden the agencies responsible for preparing the reports in national capitals. On the other, the wider economic background to a country's trade policies and practices was not sufficiently highlighted. They therefore expressed a preference for the draft format in GNG/13 on which they felt the Group had already come close to agreement, with further modification as necessary.

7. One participant stated that the Canadian proposal placed too much emphasis on the formulation and implementation of trade policies. The mandate for the review mechanism did not call for a detailed examination of a country's trade policy decision-making structure. However, it did require that the review of trade policies and practices take place against the background of "the wider economic and development needs, policies and objectives of the contracting party concerned, as well as of its external environment", yet this aspect was played down in the Canadian proposal. Another participant made similar comments on the Canadian proposal with respect to the objectives of the review mechanism, and recalled the precise function of the review mechanism agreed on by the TNC. Both considered that the proposal was too demanding in terms of the detailed information it was seeking and that in changing around and elaborating on the elements contained in the draft format in GNG/13, the balance achieved there had been lost. The balance had been disrupted in particular because the Canadian proposal did not focus on the agreed function of the review mechanism at each stage of the review and because it would introduce new obligations on contracting parties, for example in the areas of transparency of future trade policy changes and of domestic policies, which

the objectives of the mechanism expressly sought to avoid. Also, there were trade policies and practices contained in the Annex to the proposal, such as countertrade and standards, that were not covered by the GATT.

8. Two participants suggested that the Canadian proposal could serve as the format for reviews of the core group of developed contracting parties' trade policies and practices and that a simplified version of the format should be considered for other, especially developing, contracting parties. Another also suggested that the Group design different formats for developed and developing contracting parties since the TNC had specifically recognized, in agreeing on a varied frequency for reviews of different countries, that the trade policies of developing countries had a much lower impact on the multilateral trading system and their reporting requirements should therefore be commensurately lower. Some other participants insisted that only one format should apply to all contracting parties except for the least-developed.

9. Several other participants welcomed the structure for the format that had been proposed by Canada as an improvement over that contained in GNG/13, and some supported in particular the specific sections covering trade policy formulation and implementation, noting that similar information had been sought through the draft format in GNG/13. A number also welcomed the additional precision that it contained. Some recalled from the objectives agreed on that trade policy reviews should cover the full range of contracting parties' trade policies and practices. Some, citing paragraph A(ii) of the TNC Decision, considered that the external environment should be treated only as "background" to reports, but a number of others emphasized the importance they attached to the inclusion of external factors and in particular the macroeconomic policy environment for trade policy-making.

10. Several participants stressed the provisional nature of the format, noting that it had been agreed to revise it as necessary in the light of experience and suggesting that the Group should not be too ambitious in trying to perfect it now.

11. The Group agreed to set up a technical working group, open to all participants, to resolve the question of format and finish its work in time for the June meeting of the Negotiating Group.

B. Consideration of the status of work and the Group's future work programme under its negotiating objectives

12. The Chairman suggested that the Group set aside for the time being further discussion on a small Ministerial group under the second of its negotiating objectives, and that under the third of its objectives the Group await the report of the Director-General on his discussions with the executive heads of the IMF and the World Bank before continuing its negotiations on strengthening the relationship of GATT with other international organizations responsible for monetary and financial matters. He circulated a non-exclusive list of other topics which had already been raised in the Group, and invited participants to suggest additional subjects for discussion in the context of the negotiating objectives and to indicate their priorities in this regard.

13. One participant insisted that a comprehensive approach should continue to be taken to discussions on the subject of the trade-finance link, extending well beyond the issue of "credits" in trade negotiations for trade liberalization measures taken by developing countries autonomously or as part of programmes agreed with international financial institutions. One proposed discussions on operative ways of guaranteeing transparency in the GATT, as well as consideration of the procedures that would be necessary to bring the results of the new areas of negotiations under the GATT and the subsequent functioning of the system. Another proposed several subjects for consideration at some point in the Group's work: strengthening the ability of the GATT to prevent as well as solve trade disputes, which might be discussed in this Group or the Group on Dispute Settlement; examining whether relations with other international organizations should be conducted on a case-by-case or a general basis; harmonizing texts arising out of the Uruguay Round negotiations if it was felt that this Group was the appropriate forum for such an exercise; undertaking a formal harmonization of the text of the General Agreement and the Notes and Supplementary Provisions contained in Annex I; and institutional matters such as the rôle of the Budget Committee, the financing of GATT, and the general functioning of the institution. One participant noted the need to clarify the matter of discussants for the Trade Policy Review Mechanism and the scheduling of reviews.

14. With respect to the Group's future work priorities, several participants stated that completion of discussions on the draft format should take precedence over all other matters. Some agreed with the Chairman that further discussions on a small Ministerial group should be set aside for the time being, but one stated that it was important not to lose sight of the issue. A number of participants said that they looked forward to receiving the report of the Director-General on strengthening the relationship of GATT with other relevant international organizations, but said that discussions of the broad issue of GATT's contribution to achieving greater coherence in global economic policy-making should not be postponed until after that report had been received. One participant recalled that his delegation had stressed the importance of carrying forward negotiations on each of the three objectives in parallel. Progress on the first objective was furthest advanced, in particular relative to progress on the third objective, and in his view negotiations on the various aspects of the third objective should now be given priority.

15. Many other participants gave preliminary indications of the priorities they each attached to the various items that had been circulated in the Chairman's non-exclusive list, but asked that an up-dated list be circulated so that they could reflect further on the matter and revert to it at the Group's next meeting.¹

16. It was agreed that the next meeting of the Negotiating Group would take place on 19-20 June 1989.

¹ Issued as MTN.GNG/NG14/W/34.