

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG14/W/37

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COMMUNICATION FROM AUSTRALIA, CANADA, HONG KONG, NEW ZEALAND

The attached communication has been received from the above delegations with the request that it be circulated to the members of the Group.

DOMESTIC TRANSPARENCY

Introduction

1. The need for greater domestic transparency in national policy-making, where all trade barriers originate, has been identified by a growing number of participants and observers of the international trade scene in recent years.

2. The history of concern to increase domestic transparency is considerable.

- Paragraph 105 of the Final Act of UNCTAD VII includes the following decision: "Governments should consider, as part of their fight against protectionism, as appropriate, the establishment of transparent mechanisms at the national level to evaluate protectionist measures sought by firms/sectors, and the implications of such measures for the domestic economy as a whole and their effects on the export interests of developing countries" (sub-paragraph 4).
- A distinguished study group, convened by the former Director-General of the GATT, Olivier Long, concluded in November 1987 that what had been lacking in multilateral negotiations had been a search for ways to facilitate such domestic recognition of the need for reform of trade policies for countries' own national interests. This study group therefore proposed that the Uruguay Round negotiations promote domestic transparency to underpin, not replace, the bargaining process. The OECD also prepared a checklist for the assessment by governments of their trade policy.

3. Domestic transparency is intended to generate information about, and to promote a wider domestic understanding of, the economy-wide effects of government assistance to industry in all its forms. Public support for open trade policies should be fostered. This relies upon greater public knowledge of national trading policies, particularly on the costs of assistance. Public education activities could include all sectors in the community. Governments may often lack the information needed to evaluate policies proposed for particular industries according to their likely effect on economic performance generally and the standard of living of the community as a whole. Improved domestic transparency can assist governments to evaluate the costs and benefits of these on objective grounds as highlighted in the 1985 Leutwiler Report (Trade Policies for a Better Future):

"In most public discussion of protection the right questions are seldom asked. What will be the total costs if trade restrictions are imposed? Is protection the most efficient way to help the industry in trouble? Will paying higher consumer prices protect jobs for more than just the short run? What will be the effects on inflation? On long-term growth? It would represent a real advance both nationally and internationally if techniques could be developed to improve the evaluation of demands for support through protection."

4. If it were to be widely embraced by contracting parties, enhanced domestic transparency would contribute to realisation of the Uruguay Round's objective of greater coherence in global economic policy making so as to create a positive environment for trade liberalization and the promotion of growth and development.

- There are many options available to a contracting party to promote domestic transparency, taking account of their own political and legal structures. A commitment to actively consider those options would be an important outcome of the Negotiating Group's mandate.

5. In an earlier proposal submitted to the Group (MTN.GNG/NG14/W/13), New Zealand suggested some approaches to improved domestic transparency. There are also many other ways that contracting parties can and do promote domestic transparency. Many countries have institutional arrangements which generate information about domestic impact of protection. To be fully effective, however, domestic transparency arrangements should be open and work in an "economy-wide" framework. Publication and public access are important elements in strengthening the impact of domestic transparency functions. The following illustrative list of examples (elaborated in the appendix to this proposal) indicates the range of options by which domestic transparency and review is and can be facilitated at the domestic level.

- through government organizations
- private research bodies
- Government/Industry Advisory Groups
- application of simple analytical/measurement tools to evaluate the effective rate of assistance
- a "balance sheet of protection" that would systematically analyse the economy-wide distribution of the costs and benefits of domestic protection measures.

Proposal:

6. To succeed, domestic transparency cannot be imposed on contracting parties. Individual contracting parties themselves should decide the best approach to promoting domestic transparency, taking account of their own political and legal structures. Above all, domestic transparency is a voluntary process, but one which all contracting parties share an interest in encouraging.

7. It is proposed therefore that contracting parties agree to:

"Recognize the inherent value of domestic transparency of government decision-making on trade policy matters for both national economies and the multilateral trading system, and to encourage and promote greater transparency within their national systems."

APPENDIX

Further to paragraph 5 of the Proposal, the following illustrative examples elaborate upon the options available to contracting parties to facilitate domestic transparency and review:

- Some countries have government research bodies that undertake the evaluation of assistance measures and report to government, e.g. the Economic Council of Canada and the several agencies and commissions of the United States.
- Government organizations engage in the regular assessment of the costs and benefits of domestic assistance, e.g. treasury bodies and national financial institutions. As well organizations such as Tariff Commissions generate useful information about tariff structures and sometimes broaden the implications of these structures and changes therein, e.g. Sri Lanka, Philippines, Thailand, Canada.
- Many countries have private institutes that undertake research on assistance activities in combination with other functions, e.g. the Economic Monitoring Group in New Zealand, the Trade Policy Research Centre in the United Kingdom, the Institute für Weltwirtschaft in the Federal Republic of Germany.
- In some countries, there are Government/Industry Advisory Groups, e.g. Australia's Economic Planning Advisory Council which contributes to government economic policy consultations by, inter alia, promoting consultation, research and public education on economic matters.
- Government organizations such as Australia's Industries Commission (IC) operate as independent advisory bodies to governments on the general structure of industry assistance and its effects on the economy. The IC operates through public enquiry processes.
- Protection Balance Sheets (usually on an industry-by-industry basis) would be a useful way of providing the public, the legislature and the policy makers with the available information on and analysis of the level, nature and rationale for public support being given to each industry.
- Simple analytical/measurement tools to evaluate the effective rate of assistance indicate more clearly the costs involved in assistance programmes. For example, Effective Rates of Assistance measure the net assistance to an industry's value-adding activities afforded by the assistance structure. Forms of assistance included in the measures can include tariffs, quotas, local content schemes, domestic pricing and market support arrangements and subsidies.