

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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

MEETING OF 2 APRIL 1990

Note by the Secretariat

1. The Group held its sixteenth meeting on 2 April 1990 under the chairmanship of Ambassador J. Lacarte-Muro. The agenda contained in GATT/AIR/2953 was adopted.

Agenda Item A (I)

Domestic transparency of trade policy-making

2. The Chairman invited further comments on the proposal by Australia, Hong Kong, Canada and New Zealand in NG14/W/37, and suggested that the specific form in which any agreed recommendation on this topic might be included in the final outcome of the Uruguay Round be put aside for the time being until matters of substance had been fully discussed.

3. One participant said his delegation understood domestic transparency, as presented in paragraph 6 of NG14/W/37, would be a voluntary process and he felt that could usefully be spelled out in paragraph 7.

4. One participant said that, without prejudice to where the issue would be included at the end of the Uruguay Round, which her delegation believed should probably be in a GATT Declaration, her delegation preferred the existing language in paragraph 7 of NG14/W/37 but had no objection to including an explicit reference to the voluntary nature of the process, drawing from paragraph 6. However, since this was to be a voluntary exercise, individual contracting parties should be left entirely free to decide what they wished to do in this area and her delegation could not accept any language relating to different degrees of transparency for different contracting parties.

5. One participant said his delegation acknowledged the need for increased transparency but was in some doubt over the implications of the language in paragraph 7 of NG14/W/37. For example, there seemed to be some ambiguity of language in the phrases "the inherent value" and "for national economies"; he sought clarification on the relationship between those phrases. He endorsed the need for an explicit reference in the draft proposal to the voluntary nature of the undertaking. He added that it

would not be possible to reach final agreement on the language or on the nature of the issue itself before seeing in what form it might be included in the outcome of the Round. He said that in many instances decision-making on trade policy by private corporations was more important than that of governments, and he suggested this might need to be taken into account in any assessment of domestic transparency.

6. One participant recalled his delegation's views from previous meetings. It supported increased transparency but did not think it was within the spirit of GATT for the CONTRACTING PARTIES to make a statement of intent since there was a risk that the GATT would become satisfied with statements that would not have the necessary force to be implemented. It would be better to look for practical means to increase transparency and his delegation would be putting forward a proposal in this regard under Agenda Item A (III).

7. One participant said his delegation's position was that transparency was one of the means for inserting trade policy into a more coherent macroeconomic system. Therefore, the notion of increased transparency had been included in his delegation's communication to the Group on the coherence of global economic policy-making (NG14/W/40). The precise language of the proposal in NG14/W/37 could not be discussed without knowing the context in which it might be inserted in the final outcome of the Uruguay Round. Increased transparency was necessary, but his delegation was not convinced that it should be treated in an isolated fashion for its intrinsic value as suggested in NG14/W/37.

8. One participant said that his delegation considered the issue of transparency to be important. All countries had the means of ensuring domestic transparency in the formulation of their trade policies, and it was important that this issue should be given attention to clarify the distribution of the costs of protection to the whole economy. His delegation agreed that the voluntary nature of the process should be recognized because of countries' different legal and constitutional systems in the area of trade policy formulation. Any final result on this subject would have to take into account the voluntary nature of domestic transparency; as for the form of the final result, delegations needed more time to reflect on this.

9. One participant said that his delegation sympathized with the view that there was a danger in inserting voluntary undertakings alongside the binding obligations of the GATT, but it considered the issue of domestic transparency to be of such importance that it could accept having the substance of the proposal in paragraph 7 of NG14/W/37 reflected in an appropriate way in the final outcome of the Uruguay Round, including an explicit reference to the voluntary nature of the undertaking. Exactly how it could be reflected in the final outcome would need to be decided later.

10. One participant said domestic transparency was an important concept and her delegation supported the proposal in NG14/W/37 since its voluntary nature was preserved. It had no problems with the language in paragraph 7

and felt it important to find a context in which the proposal would be inserted in the final package.

11. One participant said that the voluntary nature of the process should be made clear in paragraph 7 of NG14/W/37.

12. One participant felt there was consensus on the importance of transparency and that the process should be voluntary, but it was still not clear what exactly was wanted, especially when there existed a difference of impact between the trade policies of the major developed countries and smaller countries. In his view, more informal consultation was needed.

13. The representative of Canada said that, as reflected in the records of previous discussions on this subject, a wide body of opinion supported domestic transparency as being good for national economies and for the multilateral system. His delegation was unpersuaded by concern about the effect of a non-binding recommendation on the GATT system, and doubted the possibility of achieving anything more than a voluntary undertaking from these negotiations. However, he would welcome suggestions if participants thought that more was achievable in this area. His delegation was ready to discuss changes in the language of paragraph 7 of NG14/W/37, including an explicit reference to the voluntary nature of the undertaking. He hoped it would prove relatively straightforward to reach agreement on provisional language which could then be left for a later decision on where to place it in the final package of the Uruguay Round.

14. The representative of Australia said the voluntary nature of the process was clear in paragraph 6 and his delegation wanted to reflect further and develop its ideas on how this might be reflected in paragraph 7. An important component of the inherent value of domestic transparency related to the importance of determining nationally the distribution of the costs of protection, when the benefits were fairly evident and concentrated. The Group should try to agree on language now and the exact form and context of the recommendation later. Informal consultations were continuing on the proposal, and he suggested the Group revert to the matter at a subsequent meeting.

15. The Chairman requested the delegations sponsoring NG14/W/37 to try to circulate a new proposal, following their informal consultations.

#### Improvement of notification procedures

16. The Chairman drew attention to a Note prepared by the Secretariat in NG14/W/39 and invited comments on two suggestions: that any major attempt to improve and streamline notification procedures might be a matter on which a work programme could be launched after the end of the Uruguay Round, in which case the Group should consider how to convey that idea to the GNG and whether to try to agree on specific terms of reference for such a work programme; and that a central GATT registry for notifications could be put into effect by the Secretariat in a fairly simple form immediately after the end of the Uruguay Round.

17. The representative of the European Communities clarified the main points of his delegation's proposal on this issue (NG14/W/20), which he said could be supplemented by other improvements in the future. His delegation was not proposing in any way the replacement of existing notification obligations currently in force in GATT. The proposal was threefold. First, there was a need to determine clearly current notification obligations covered by the 1979 CONTRACTING PARTIES' Understanding and to strengthen and clarify the mandatory nature of those obligations; one possibility was to set up an illustrative list of trade measures that were subject to notification procedures, such as that contained in the annex to the outline format for country reports for the TPRM. Second, a central notification register should be established, in which would be placed a copy, or at least an extract, of all notifications made. Certain minimum data common to all notifications might be included in the central register, such as a summary description of the measure taken, an explanation of why it had been adopted, and an assessment of its trade impact. Third, the Secretariat would be asked to ensure that obligations to notify were fulfilled, if necessary by reminding contracting parties of their obligations. He expressed interest in an estimate from the Secretariat of the possible costs of implementing such a proposal.

18. One participant considered that a relatively simple solution would be appropriate. Regarding NG14/W/39, he said it was necessary to examine the budgetary implications of any undertaking in this area. The TPRM and other recent innovations had already led to substantial budget increases, and his delegation did not wish to see a proposal in the area of improving notifications leading to another substantial increase in contributions.

19. One participant supported the establishment of a central repository as envisaged in paragraph 11 of NG14/W/39, on the understanding that it should not supersede the obligations and particular reporting requirements of standing GATT and Code Committees. To begin with, the registry could simply log-in all notifications, which would automatically be copied to it. The more ambitious task of simplifying, standardizing and consolidating information should be a long-term objective, which could be pursued more fruitfully after the Uruguay Round. Her delegation also supported the proposal that the Secretariat should produce a checklist at the beginning of each year giving details of the notification requirements for each delegation during that year, which should help to strengthen and clarify the notification system.

20. One participant felt that there had been some consensus on areas where improvements could be made, and proposed that the Secretariat should be asked to formulate concrete proposals in operational language to assist discussions, highlighting issues which could be addressed over the short- and the longer-term and providing an outline of the possible cost implications.

21. One participant agreed that the proposal should be kept simple in order to address budgetary concerns. She stated that MTN Code notifications, being confidential, should not be included in the central repository.

22. One participant felt that the distribution of notifications to various groups was more an administrative matter which could be dealt with by the Secretariat. Agreement was necessary to continue discussions after the end of the Uruguay Round when administrative and organizational decisions could be taken, and a working group on improving notifications should be set up and report to the CONTRACTING PARTIES by December 1991. His delegation had found the Secretariat reports to the Special Council valuable, as they picked up trade measures which might not have been notified or cross-notified, and it hoped that the Secretariat might continue in the future to draw attention to such measures. Some thought should be given as to how this could be done in the future.

23. One participant welcomed the concrete proposals and suggested that the Secretariat be asked to come forward with some specific proposals which would address all of the concerns raised.

24. One participant said that any procedures or requirements set up should be simple and not have an unmanageable budgetary impact. The different obligations of contracting parties that were members of various Codes should continue. For this reason a central repository should not result in uniform notification obligations for all contracting parties. Nor should notification obligations become so complicated as to become a disincentive to fulfil them. His delegation supported the idea that the Secretariat should prepare a list of each country's obligations each year, and that the Secretariat should remind contracting parties when they failed to fulfil their obligations. Future work on improving notification procedures after the end of the Uruguay Round depended on the results of negotiations in other Groups.

25. One participant agreed with the need for simplicity and agreed that the Secretariat should be asked to make proposals on how to move forward in a practical manner. His delegation understood that difficulties might arise with Code notifications; this would have to be addressed in due course.

26. The Chairman asked the Secretariat to prepare concrete proposals containing options and alternatives, based on the views expressed by participants.

Outline format for TPRM country reports by the least-developed contracting parties

27. The Chairman stated that he had circulated a proposal which had been drawn up following informal consultations with, in particular, representatives of certain of the least-developed countries. He outlined the proposal.

28. The Group adopted the text of the Outline Format for country reports for least-developed countries under the TPRM and agreed to submit it to the Council for approval. A copy of that text is appended to this Note.

Agenda Item A (II)

29. The representative of Switzerland said that specialists from his delegation would be present at the next meeting to answer questions on the proposal by his delegation contained in NG14/W/38.

Agenda Item A (III)

30. The Chairman invited further comments on the Report by the Director-General (NG14/W/35) and the submission by the European Communities (NG14/W/40) regarding the contribution of GATT to achieving greater coherence in global economic policymaking. Most participants said that their remarks at this stage were still only preliminary.

31. The representative of the International Monetary Fund said that policy consistency and coherence was a major, integral element of any effective policy package. Policy consistency was therefore stressed in all IMF surveillance, both bilateral and multilateral and in operations supported by IMF resources. In her view, policy coherence and consistency in the context of this Group's work concerned the creation of the right microeconomic conditions to allow the effective transmission of macroeconomic signals. The IMF wished to stress that it was important to distinguish between policy objectives, the policies themselves, and indicators of success. In the IMF's view, greater exchange stability was an indicator of success, and the real question was what underlying policies were necessary to achieve it. In a world that had not progressed to standardized and unified policies, inflation differentials existed and the effect of trying to fix nominal exchange rates would be to increase distortions rather than correct them. Thus in the IMF's view, more appropriate financial policies that improved savings/investment balances would serve to ensure greater exchange-rate stability, and not the other way round. In his discussions with the Director-General, the Managing Director of the IMF had expressed his preference for an informal approach as best suited to achieving practical advances in closer institutional collaboration. That meant that the IMF would not like to see the type of specific mandating that was proposed by the European Communities. Of course it would be helpful if Ministers wished to provide political impetus to increase institutional collaboration, particularly by allowing the GATT Secretariat greater scope to provide views on trade policies, issues and measures; however, the IMF did not feel it was necessary to formalize and specify in detail and in advance the manner in which co-operation should occur. With regard to the proposed ministerial declaration, while that had to be a political decision to be taken by individual governments, normally the IMF's Board of Governors did not make policy declarations and the logistics of achieving a joint declaration would be very difficult.

32. The representative of the World Bank stated that the World Bank attached great importance to policy issues. Most policy work took place in a country-specific context and extended well beyond simple project work or investment financing to all aspects of macroeconomic and sectoral and

structural policies. Trade policy reform had figured prominently in World Bank structural adjustment lending and policy dialogues, and the internal consistency or coherence of domestic policy was one important dimension of this work. Regarding the European Communities' submission, the World Bank had also shown considerable interest in global economic issues and had studied problems like commodities, protectionism, the adequacy of financial flows to developing countries, progress with the debt strategy, and so on. One of the functions of the World Bank's "World Development Report" had been to look at these global policy issues, and the World Bank's President had often spoken about them, particularly about the impact of protectionism by the industrial countries on the developing countries and the inconsistency of providing the latter on the one hand with financial aid and on the other hand imposing on them a major burden in the form of protectionism. The World Bank therefore welcomed efforts to increase the coherence of global economic policies and saw a rôle in this for international institutions, although policies were ultimately implemented in countries and it was therefore at that level that coherence was more important. The World Bank also attached great importance to strengthening its co-operation with GATT; the Director-General had reported on this and notably on the enlarged mandate and increased size of World Bank representation in Geneva.

33. The World Bank was very keen to reinforce co-operation, but it continued to believe that this could best be done if arrangements were kept on an informal basis. Contacts were already frequent and constructive and no good purpose would be served by requiring that they conform to a fixed schedule. The World Bank felt quite strongly, in the interest of constructive co-operation, that experience with such contacts might well show that different forms or schedules were needed and these could best be adopted if the institutions were free and flexible to do so. The GATT Secretariat itself might be in the process of evolving, and co-operation would therefore have to be kept flexible. The World Bank had suggested co-operation with GATT in the preparation of trade projections and would be interested in joint research projects on subjects of common interest; it was exploring such projects. Participation of GATT staff, and some representatives of contracting parties, had been obtained in seminars and training courses given at the World Bank. The World Bank would also like to keep this co-operation flexible, and not have it constrained by a rigid framework. Regarding the joint ministerial declaration proposed in NG14/W/40, the World Bank did not think it appropriate to comment on whether or not ministers should be aiming for such a declaration but it did feel that if ministers wished to do so it would involve some difficult logistics for which preparations would need to be made.

34. The representative of the European Communities said the remarks by the representatives of the IMF and World Bank were constructive and opened a number of doors. He reframed the Communities' proposals to ensure that reactions would be based on a full understanding of them. Coherence was needed because trade policies and the current trend towards liberalization could be handicapped by other factors related, for example, to debt or exchange rates. These other factors should not prevent work in the GATT from progressing as much as possible without waiting for them to be

corrected. However, it should be ensured that implementation of the results of the Uruguay Round was not obstructed, and for that reason it was normal to ask other experts to participate in the work underway. Co-operation would be carried out progressively at different levels, in the secretariat, in the institutions, and at political levels, but co-operation at the secretariat and institutional level would not be successful if the necessary political incentive was not given at the end of the Round.

35. One participant said that his delegation recognized the importance of the trade, finance and money link and was convinced of the importance of co-operation between the GATT, the IMF and World Bank. However, it was necessary to examine the substance of such co-operation. One issue was the negative effects of the reform of trade in agriculture. A paper had been submitted to the Agriculture Negotiating Group by his and other delegations, and his delegation would like it to be submitted also to the FOGS Group for information and as a basis for possible discussion, without discussing agriculture issues as such in the FOGS Group and without duplicating discussions in the Agriculture Group. In NG5/W/119 it was stated that negotiations should result in specific measures and commitments at both bilateral and multilateral levels agreed in the Uruguay Round and implemented as appropriate in co-operation with international financial and development organizations, to take into account the negative effects of the reform process for net food-importing developing countries. Studies had shown that reform in agriculture would increase the cost of his country's imports by over US\$1,000 million, and in order to alleviate such a burden his country has asked for certain measures, including financial support. He recalled that Article XXXVI:B in Part IV of the GATT referred to export earnings and prices paid by less-developed contracting parties for essential imports, and particularly that paragraph 6 of that Article referred to the interrelationship between trade and financial assistance and how this could alleviate the burden on the economies of less-developed contracting parties. He also noted from paragraph 37 of the Director-General's Report that the issue had been discussed between the Director-General and the heads of the IMF and World Bank, and he asked that the Director-General continue to discuss this issue with them in the future. He asked how co-operation between the three organizations would respond to a trade problem resulting from trade reform in agriculture.

36. At the invitation of the Chairman, the representative of the World Bank said that as had been pointed out in paragraph 37 of the Director-General's Report, the World Bank was ready to consider financing adjustment needs arising from the Uruguay Round. The World Bank did not finance balance-of-payments disequilibria, but the adjustment of policies which had been inappropriate or which were becoming inappropriate in the light of new global circumstances. It might well be that substantial trade liberalization in agriculture would create new needs and opportunities and the Bank was ready to help take up these opportunities and meet these needs through financing adjustment policies.

37. One participant said there was a danger in discussing agricultural issues in this Group and discussing general issues in the Agriculture Group, which might take discussions away from their central themes. His



delegation did not object to NG5/W/119 being tabled in the FOGS Group. However, the question of the relationship of agricultural liberalization to the overall development needs of developing countries was a complex subject, and account had to be taken not only of the immediate balance-of-payments implications but also the overall effect of current developments in world agriculture markets on their long-term development needs.

38. One participant welcomed the submission by the European Communities, which contained concrete proposals in follow-up to the Report of the Director-General. His delegation agreed with paragraph 48 of the Director-General's Report which stated that increased co-operation between the three institutions could offer useful opportunities for contributing to the coherence of global economic policymaking, especially through support for national efforts in trade liberalization. However, the proposal by the European Communities to issue a statement of guiding principles at ministerial level would need to be approached cautiously because the different jurisdictions and mandates of the three institutions should not be undermined. His delegation believed that it would be useful to find specific ways to co-operate among the three institutions and it agreed with the idea of a joint ministerial meeting as one of the modalities of co-operation. The questions of consultations between the three institutions, reciprocal representation and the setting up of a GATT liaison office in Washington needed more reflection. Due account had to be given to the protection of the confidentiality of information, and matters of mandates and jurisdiction should again be stressed here. Regarding the issue of a joint report on coherence between trade, monetary and financial policies, his delegation felt that some conflict could be created if the issue was not given enough reflection, and it should be addressed only after more concrete ways had been found for co-operation between the three institutions. It would be useful for the secretariats of the three institutions to exchange information regarding their surveillance activities, but again the mandates given to the different agencies had to be borne in mind, particularly the protection of confidential information. The most sensitive subject was reciprocal co-operation regarding trade restrictions within the jurisdiction of the GATT and exchange restrictions within the jurisdiction of the IMF. He asked for clarification on the proposal in this regard contained in the submission by the European Communities.

39. A financial expert from this participant's delegation added that regarding a joint declaration, different mandated capacities of the three organizations should be taken into consideration. Mandated capacities of ministers of the IMF and World Bank were clear; ministers were the governors representing each country, and were members of the Board of Governors which was the decision-making body of each institution. Regarding the proposal for formal institutional contacts, the sensitivity of currency affairs should be borne in mind. The Interim and Development Committees of the IMF and World Bank were not open to everybody, and strict confidentiality was needed for those meetings. He expressed some concern with the idea of a joint report on coherence, which could possibly cause conflicts between the GATT, the IMF and World Bank; clearly adjustment

programmes were dealt with under the jurisdiction of the IMF. Regarding the relationship between trade and exchange restrictions, foreign exchange policies and the programmes of the IMF were not taken only from a trade viewpoint. Therefore, information concerning the IMF's decisions regarding foreign exchange restrictions needed to be kept strictly confidential. In his opinion, if the GATT were to be fully informed of the IMF's decisions regarding foreign exchange restrictions, as suggested in NG14/W/40, it would infringe on the mandate of the IMF.

40. In response to the remarks of the previous speaker, the representative of the International Monetary Fund said that IMF discussions on exchange restrictions had to be guarded by confidentiality, but an annual report on exchange restrictions was published. Speaking also on behalf of the World Bank, she noted that in both the Interim and Development Committees, the Director-General of GATT did participate, including in some of the highly confidential discussions that took place. IMF Board meetings, particularly discussions of Article IV consultations, were held in-house and confidentiality mandated that no outsiders be present.

41. One participant expressed surprise at some of the comments that were being made, since NG14/W/40 reflected the position of twelve of the largest financial powers in the world, and he assumed that issues such as confidentiality and not confusing the responsibilities of the institutions were considerations of equally great concern for member States of the Communities. In his view there was a rôle for the provision of new ideas on where the adjustment process fell on the micro-macro spectrum and what rôle could be played by trade policy.

42. One participant supported the objectives of increased coherence, co-operation and transparency and welcomed the attempt made in NG14/W/40 to put forward concrete proposals in this regard. Political will was essential to reaching specific results in this area. It would be necessary to strengthen GATT to allow it to work in partnership with the other two institutions; in particular, its analytical capability in the field of trade policies had to be increased. It was important that each institution had access to information and analysis carried out by the others, while maintaining its own identity and field of competence. Co-operation should take place at all levels, right up to the level of ministers. His delegation was preparing a proposal on this subject and hoped to present it at the next meeting.

43. One participant said that the suggestions for closer institutional co-operation made in NG14/W/40 were far-reaching, and his delegation saw major obstacles ahead with them. The suggestions had important philosophical and political implications which had not been adequately reflected in the proposal itself. Consequently, his delegation drew the conclusion that the suggested ministerial declaration would present major difficulties in formulation. It would seem at this stage more feasible and prudent to accept a more cautious approach to the issue of institutional co-operation. He added that some way had to be found to include UNCTAD more adequately in the process of institutional co-operation.

44. One participant said that the problems which had been discussed in paragraph 6 of the Director-General's Report, such as indebtedness, exchange rate fluctuations, internal and external imbalances, and development and protectionism, had to be dealt with first at the national level. Large economies in particular had to recognize and reinforce their commitment to policy coherence at the national level before coherence at the international level would have any relevance or significance. This was one of the basic issues which needed to be reflected on by the Group before it could go into the question of formalizing co-operation between the three institutions. Regarding the proposals contained in NG14/W/40, his delegation had concerns about logistical difficulties and the heavy mandate that ministers would have to discharge in making a joint trade, money and finance declaration. The exact scope of the declaration and the level of political ambition that was being aimed at would have to be determined. Different institutional mandates would have to be considered, as would differences in the manner in which the institutions functioned. Regarding the strengthening of the institutional relationship of the three organizations, his delegation believed that it would be useful to look at how fruitfully existing informal contacts operated and considered it essential to retain flexibility in these contacts. It had doubts about the need for mandating a formal structure for co-operation at all levels. Regarding references on page 2 of NG14/W/40 to the TPRM, he said that these gave the impression that the TPRM in itself was a substantive step towards the GATT acting as a guardian of the multilateral trading system. His delegation considered that the TPRM was a collective assessment and appreciation by the contracting parties, and he asked for the views of the European Communities in this regard. His delegation had already expressed its opposition to the establishment of any form of cross-conditionality between the IMF, World Bank and the GATT; since all contracting parties undergoing consultations with the IMF or World Bank could be expected to know their GATT rights and obligations, no useful purpose would be served by the GATT becoming involved. It was hard to see how negotiating credits would be relevant outside the context of multilateral trade negotiations. His delegation felt that liberalization efforts could be brought to the attention of the international financial institutions by the countries concerned, and it was not convinced that GATT involvement would be beneficial.

45. One participant said that her delegation had on several occasions underlined the need for greater coherence between trade, monetary and financial policies, at the national and international level, in order to create a favourable environment for increased trade and sustained economic growth. Her delegation had no problems with the basic thrust of NG14/W/40, for example when the need for a multilateral approach was stressed and where it stated that even the smallest country has its rôle to play in supporting the multilateral system. It subscribed to the statement that there were obvious interactions between the trading system and the flow of resources to support growth in the developing countries. It also agreed that it would be possible to draw collectively a number of guiding principles on coherence based on complementarities between the trade, monetary and financial aspects of global economic policymaking. She expressed interest in hearing the comments of the European Communities on

the mechanics of adopting a joint ministerial declaration, but said that the initial attitude of her delegation was to doubt the realism of such a proposal. Her delegation believed that an efficient way to fulfil the Ministerial mandate would be to find practical ways to enhance co-operation between the three institutions in their daily work. Forms of co-operation had to be found which made institutional knowledge and experience mutually available but at the same time avoided over-bureaucratic structures.

46. In the view of her delegation, three basic ideas had to be borne in mind. They were that: in order to enhance the rôle of GATT, its rules and disciplines had to be strengthened and all contracting parties alike had to adhere to them; co-operation between GATT, the IMF and World Bank should aim to ensure that they were all striving in the same direction, and this would be even more important after the Uruguay Round when the GATT system might include services, TRIPS and TRIMs; and the identity of the three institutions and their autonomy in decision-making had to be safeguarded. The basic question was then how the three institutions could usefully enhance their daily co-operation on the working level, and she made a number of proposals in this regard:

- increasing systematically the exchange of information, through, for example, exploring the possibilities of increased input in different studies and task forces so that GATT expertise could be made available to the IMF and World Bank, and of setting up common information services, regarding, for example, trade statistics, with a view to avoiding duplication of work;

- enhancing co-operation in the surveillance activities of the three institutions, through providing trade expertise from the GATT in the context of IMF Article IV consultations and IMF and World Bank loans and facilities, as well as providing input from the IMF and World Bank to the TPRM;

- setting up common research projects and seminars regarding issues of common interest in order to enhance mutual knowledge and understanding;

- providing technical assistance by GATT experts to countries when setting up, for example, more efficient customs administration and administrative routines regarding trade policy instruments which were incorporated in national legislation in the context of trade policy loans.

- setting up a GATT office in Washington to answer criticism by the IMF and World Bank about the difficulties of obtaining information from the GATT, to ensure continuous contact and co-operation, and to provide timely and efficient input into the activities of the IMF and World Bank. This was the more necessary because the IMF and World Bank worked within very tight time limits for their various activities. Her delegation was aware of arguments that this would be too expensive and that contacts could be carried out in other ways, but in its view modern techniques could never substitute for personal participation and availability.

- considering that as a result of the TPRM, GATT would develop country-specific expertise and this would become more useful to the IMF and finally, her delegation wondered whether it might be possible to explore the possibility of an arrangement for GATT experts, once they had developed country-specific expertise with the TPRM, to participate in missions of the other institutions, primarily World Bank, whereby the GATT representative would be subject to the same regulations regarding for example, confidentiality, as a representative of the IMF or World Bank.

47. Regarding the proposal in NG14/W/40 for the preparation of a joint biennial report on coherence, her delegation saw great merit in the idea but had also some questionmarks of a practical and formal nature. It favoured rather asking the head of each institution to make a separate report on a common theme, for discussion at a joint meeting, with the form and level of participation of the meeting to be reflected on further.

48. One participant said that her delegation considered that some of the suggestions made by the previous speaker were worth further reflection, and looked forward to more detailed discussion on these ideas at a later date. Regarding the logistics of the proposals in NG14/W/40, she asked how the content of the proposed joint declaration would be agreed to by the CONTRACTING PARTIES and whether there would be a steering committee to represent GATT views on this declaration, and who would approve the declaration in the IMF and World Bank; she asked also when it would be agreed upon. Her delegation was concerned that this proposed declaration could detract from substantive negotiations towards the end of the Round. She asked for clarification on the nature and degree of GATT, IMF and World Bank co-ordination envisaged, for example in the last paragraph of the submission and on page 5, and on what type of formal contacts were being suggested on page 5. She also asked the European Communities to elaborate on the ideas in the submission for negotiating credits.

49. One participant said his delegation could support the pragmatic suggestions included in NG14/W/40; it considered them to be modest, but going in the right direction. He noted in particular the proposal for increased involvement in the surveillance functions of each institution, and said that while his delegation recognized that some modalities would be needed to address concerns of confidentiality, it believed concrete results were achievable in this area. The proposed joint report was a useful idea worthy of exploration, and his delegation was examining it sympathetically. Regarding the section dealing with trade and exchange restrictions, he asked for confirmation that the only purpose here was to increase the mutual exchange of information. The principal doubts his delegation had concerned the proposed joint principles, if only because it doubted the Group could reach agreement on specific principles before the end of the Round. However, it was open to an examination of the matter. In this regard, he asked for clarification on the logistics and arrangements that would have to be made to prepare and issue a joint declaration.

50. The representative of the European Communities welcomed the comments. He said that one of the main questions which arose in the context of NG14/W/40 was whether coherence could be discussed exclusive of its

political aspect. Many delegations had stated that there could be no progress if there was no feeling of political responsibility, which was why the suggestion of a joint declaration at ministerial level had been put forward. Logistical questions were secondary matters; once there was agreement on the significance of a political declaration, the most appropriate logistical modalities could be examined. The key to achieve this was to recognize that in no way was it a question of violating the confidence of other institutions. Any political declaration on monetary policies or on financial flows to support development should be above all discussed within the IMF and World Bank once the Group had reached agreement in principle on the need to proceed along the lines of a joint political declaration. Regarding the trade aspects of such a declaration, it would be necessary to wait until the final results of the Round were known. In the hope that they would be satisfactory and that all participants would be able to agree with them, NG14/W/40 pointed out certain principles and trade policies that had to be stated at the political level; however, the specific affirmation of these principles would have to be carried out at a further stage of the Group's work.

51. A second main question which arose in the context of NG14/W/40 was whether progress in institutional co-operation, which was widely recognized as being essential, could be based, as at present, on co-operation among secretariats or whether there should be a more global approach that would establish the basis for this co-operation. The Communities believed that for the issue of coherence to remain on the agendas of the three institutions, there had to be an agreement to co-operate among the institutions. It was a question of setting out not the details but the overall basis for institutional co-operation. His delegation's fear was that if co-operation was not clearly defined and established on the basis of an agreement, the dynamics of obtaining gradually greater coherence would run the risk of being lost altogether.

52. Both the political and the institutional co-operation elements of the proposal in NG14/W/40 were important and mutually reinforcing. If institutional co-operation did not have a political basis it would never be able to solve real problems. Equally, a political commitment, if it could not count on institutional co-operation, would be lost altogether.

53. He said that this was not the proper forum for an in-depth discussion of the questions raised with regard to the costs of agricultural reform for net food-importing countries, but those questions showed that there were problems for which solutions lay not within the GATT framework but within the other institutions dealing with financial policies. Regarding questions posed over the relationship between trade and exchange restrictions, the proposal in NG14/W/40 was straightforward and amounted to implementing Article XV of GATT. With respect to trade restrictions, a series of procedures already existed for conveying information to the IMF, and his delegation did not believe that these should be renegotiated. Equally, the CONTRACTING PARTIES should have neutral information on exchange restrictions because the GATT clearly recognized that they could have an important impact on the rights and obligations of contracting parties. What was proposed in NG14/W/40 was therefore simple and would in

no way interfere with requirements over confidentiality, as had been pointed out by the representative of the IMF. It was a question of having better information in GATT on IMF decisions on exchange restrictions.

54. One participant said that it was important to take into account the two levels mentioned by the representative of the Communities. First, at the political level, participants should recall that ministers that had a close relationship with the IMF and World Bank were not trade ministers. Second, at the pragmatic level, once problems at the highest political level had been overcome, problems at the secretariat level could easily be resolved. His delegation was pleased with the direction in which the discussions were going, but felt that it was important to examine how to link trade problems with the debt problems of many developing countries, which in his view was not brought out explicitly in NG14/W/40.

55. The Chairman said that the Group would revert to this agenda item at its next meeting.

#### Agenda Item B

56. Following informal discussions of its future work programme, the Group agreed to hold its next meetings on 22 and 23 May and 25 and 26 June.

APPENDIX

The Council:

Recalling its Decision of 19 July 1989 (L/6552) on the Outline Format for Country Reports to be submitted under the Trade Policy Review Mechanism,

Recognizing that, in view of the stage of institutional development of the least-developed countries, it may be burdensome for them to adhere to the outline format, and that the impact of a least-developed contracting party's trade policies and practices on the multilateral trading system, and on international trade, is likely to be minimal,

Decides that:

(i) Although reports by least-developed contracting parties should follow the model of the outline format approved by the Council on 19 July 1989, data which concern only a small proportion of total trade, or which cannot be collected without undue special effort, may be omitted.

(ii) In the reviews, particular attention will be paid to the wider economic and developmental needs, policies and objectives of the least-developed contracting party concerned, as well as to its external trading environment and to problems faced by it in external markets or otherwise affecting its export performance.

(iii) The Secretariat shall offer technical assistance to each least-developed contracting party in preparing its Country Report.

This decision shall be reviewed in the light of the experience gained from its application.