

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Services

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COMMUNICATION FROM JAPAN

Modalities of Liberalization

The following communication containing a proposal on modalities of liberalization is circulated at the request of the Delegation of Japan to the members of the Group of Negotiations on Services. This proposal should be read in conjunction with MTN.GNS/W/107, a communication from Japan containing a draft General Agreement on Trade in Services.

Proposal on Modalities of Liberalization

A. Commitments for Liberalization

Each Party shall make the following commitments and set them out in its Schedule in accordance with the provisions of Sections B, C and D hereinafter.

1. Each Party shall, in accordance with Section B and Section C-1, set out in its Schedule in the Column I its reservations regarding existing laws, administrative regulations and international agreements which are inconsistent with [Chapters IV (Market Access) and V (National Treatment)] of the General Agreement.
2. Each Party shall, in accordance with Section C-2, set out in its Schedule in the Column II reservations concerning its commitments not to increase inconsistency with [Chapters IV and V] of the General Agreement.
3. Each Party shall, in accordance with Section D, set out in its Schedule in the Columns I and II its commitments made in the periodic negotiations.

B. Application to Existing Measures

1. The provisions of the General Agreement other than those in [chapters IV and V] shall be applied in full by each Party to all covered services from the date of the entry into force of the General Agreement.
2. [Chapters IV and V] of the General Agreement shall be applied by each Party to any covered service to the fullest extent not inconsistent with existing laws, administrative regulations, or international agreements which are in force on the date of entry into force of the General Agreement.
3. Unless otherwise provided for in the Schedule III in the Column II, each Party shall not, in modifying or replacing its laws, administrative regulations or international agreements, increase the reserved degree of inconsistency with [Chapters IV and V].
4. In order to maintain the inconsistency mentioned in Paragraph 2, each Party may reserve the application of [Chapters IV and V].

4.1 Each Party shall set out in its Schedule III in Column I all existing measures inconsistent with [Chapters IV and V] and their relevant laws, administrative regulations, or international agreements by [Year X].

4.2 The reservations mentioned in this paragraph shall contain the results of the negotiations provided by Section C-1.

5. Each Party shall progressively decrease the degree of inconsistency with [Chapters IV and V] which is reserved in its Schedule III.

6. With respect to the laws, administrative regulations, and international agreements, which are not reserved in accordance with Paragraph 4, each Party shall ensure their consistency with [Chapters IV and V] of the General Agreement by [Year Y].

C. Negotiation on Initial Commitments

C-1. Negotiation on Initial Commitments (1)

1. Parties may, prior to the entry into force of the General Agreement, undertake negotiations with other substantially interested parties concerning decrease of degree of inconsistency, whether immediately or on a basis of time schedule, of their laws, administrative regulations, or international agreements, with [Chapters IV and V] of the General Agreement.

2. Each Party shall set out in its National Schedule in the Column I the reservations of application, which are the results of the negotiations mentioned in Paragraph 1, along with the relevant laws, administrative regulations, or international agreements as well as the time schedule when necessary.

C-2. Negotiation on Initial Commitments (2) -Negotiation on Necessary Flexibility

1. In taking account of degree of development of service industries of the Parties in particular of developing countries, Each Party may, notwithstanding Section C-1, Paragraph 2, express its intention to reserve its commitment not to increase degree of inconsistency with [Chapters IV and V] of the General Agreement prior to the entry into force of the General Agreement.

2. Each Party, which has substantial interests in the intended reservations mentioned in Paragraph 1, may undertake negotiations with other Parties expressing the intention to introduce the reservations prior to the date of entry into force of the General Agreement.

3. Each Party shall set out in its Schedule in the Column II the reservations mentioned in Paragraph 1. or the result of the negotiations prescribed in Paragraph 2.

D. Periodic Negotiations

Not later than 3 years after the date of entry into force of the General Agreement, and periodically thereafter, Parties shall undertake negotiations, in order to reduce or eliminate the reservations set out in accordance with Sections B, C-1 and C-2, with a view to pursuing the expansion of trade in services.