

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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Trade Negotiations Committee

Negotiating Group on the Functioning  
of the GATT System

MEETING OF 26 SEPTEMBER 1990

Note by the Secretariat

1. The Group held its twentieth meeting on 26 September 1990 under the chairmanship of Ambassador J. Lacarte-Muro. The agenda contained in GATT/AIR/3083 was adopted.

Agenda Item A(i)

2. The Chairman recalled from his Report in July to the TNC (NG14/W/44) the issues outstanding under the first element of the negotiating mandate, and made a proposal on how negotiations on those issues might be brought to a conclusion. A copy of the Chairman's proposal is attached to this Note. Participants provided their reactions to the Chairman's proposal.

3. The Chairman said that the purpose of the second sentence of paragraph 2 of the proposal was to provide a means for the Council to work out an orderly procedure for scheduling country reviews over the full cycle of the TPRM. Several participants expressed support for this sentence. Two participants drew attention to the TNC Mid-Term Review Agreement on FOGS and said that the co-ordination of TPRM reviews with the work of the BOP Committee needed to be brought out here. The Chairman suggested that participants contact the Secretariat with specific proposals on how that might be resolved.

4. Regarding paragraph 3, the Chairman said that the proposed date of October 1992 could be changed if participants felt a later or earlier date would be more appropriate, or alternatively left blank for the time being. Several participants said that a later date might be more appropriate since it would allow the CONTRACTING PARTIES to review the TPRM on the basis of the experience of a larger number of countries. Some other participants considered that a sufficient number of countries would have been reviewed under the TPRM by October 1992 to permit the CONTRACTING PARTIES to undertake their review of the TPRM.

5. Following comments from a number of participants, the Chairman suggested deleting the second sentence of paragraph 3 of his proposal.

6. Regarding paragraph 5 of the proposal, the Chairman said that a grammatical error in the existing text would be corrected. One participant suggested removing the brackets from around this paragraph, since in his

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view the footnote captured adequately the issue of the final placement of the text. One participant said that, depending upon its final placement, the drafting of the paragraph might need to be modified. One participant proposed drafting changes to the paragraph in order to extend its coverage to the transparency of multilateral trade negotiations. One participant said that her delegation had not agreed that the subject addressed in this paragraph could be incorporated under any other element of the Group's mandate, and it could not agree to extend the coverage of the paragraph to include the transparency of multilateral trade negotiations.

7. The Chairman said that the text would be left as it stood for the time being, and the Group would come back to the comments that had been made.

Agenda Item A(ii)

8. The Chairman recalled that the two issues outstanding which he had identified under this element of the mandate were ministerial level meetings and a Multilateral Trade Organization (NG14/W/44).

9. One participant said that the key to ministerial level meetings was the issue of participation. No delegation that had had experience with the CG-18 could be expected to favour the establishment of an important ministerial steering group if it was unlikely to participate in such a group. His delegation would be interested in the idea only if an effective regional rotation procedure, or some equivalent system, could be found to establish participation and combined with an invitation to all delegations to attend such meetings. It was difficult to see how the most important CPs could be left out, but it was unacceptable that other CPs should always be left out, or only participate on a few occasions. He added that the kind of meetings being envisaged could nevertheless be valuable, since ministers from some CPs were already meeting in small groups outside the GATT framework without any institutional control and they were likely to continue to do so if no alternative mechanism was found.

10. The Chairman said that, assuming the success of the Uruguay Round, it was desirable to increase ministerial involvement in the GATT. One solution then might be to leave participation open in principle, but in practice to restrict it strictly to ministers. An automatic selection procedure would then be established and participation could never be considered too great since ministers, in attending such meetings, would be demonstrating a real interest in the GATT. Several participants said they would reflect upon this suggestion.

11. One participant questioned whether the suggestion would lead to the participation of all active ministers, and added that it would be helpful if proponents of a small ministerial group put forward other ideas on this key problem of membership.

12. One participant said that this issue was related to other institutional issues, and his delegation felt it might better be left until the end of the Uruguay Round and considered from a longer term perspective.

13. One participant recognized the differences of view which existed on this issue, but said that her delegation continued to favour establishing a small ministerial group. Her delegation was open to suggestions with regard to the form that such a group could take, and she took note of the suggestions that had been made by other participants.

14. One participant recalled the Mid-Term decision to hold ministerial meetings at least every two years. In his view that should suffice in terms of ministerial involvement in GATT, and his delegation opposed proposals for establishing a small ministerial group and was not convinced of the usefulness of such a group.

15. Several other participants agreed with the remarks of this participant. One added that there was a danger of creating a hierarchy among contracting parties, all of whom were equal under the GATT, and that bringing ministers together and briefing them each time would create a considerable administrative burden. Another said that the technical and bureaucratic problems which establishing such a group could create far outweighed the possible political attention which might be catalyzed.

16. One participant said it was important first to define the tasks which ministers would address before considering mechanisms to involve them more closely in the GATT. They should play a special role, in particular by ensuring that trade policies were addressed in the international arena at the same level as financial and monetary policies; that then related directly to the issue of policy coherence. He added that participants should also reflect on an appropriate role for ministers in the context of discussions on new institutional structures for the GATT system.

17. One participant said his delegation supported the establishment of a ministerial group. He recognized the problem posed by limited membership, and remained open to suggestions. He added that adequate preparations for meetings of such a group would be essential if it were to be created.

18. One participant said that the question of the mandate for a ministerial group was also important, and also militated in favour of leaving the whole matter aside for the time being until a number of wider institutional issues had been resolved.

19. The Chairman asked participants to reflect on the matters that had been discussed and encouraged those interested in setting up a ministerial group to put forward more specific proposals.

20. The Chairman invited comments on the proposal to establish a multilateral trade organization.

21. Several participants said that discussion of the proposal was premature until the substantive results of the Uruguay Round negotiations were clear. One said that the issue was not covered by the Punta del Este mandate, and that it should therefore not be examined until after the end of the Round. One said that, at the appropriate moment, it would be necessary to examine what such an organization might cover not only in

terms of GATT and Uruguay Round subjects, but also trade in commodities and commodity prices and the relationship of the trading system to the international monetary system and the debt issue. One said it would be important to examine what kind of linkage would exist between such an organization and other organizations in the UN system. One said that discussions on this issue were going on informally, and for his delegation it remained a priority to have a decision taken in Brussels to establish a multilateral trade organization.

22. The Chairman said that there appeared to be general agreement that it was too early now to study this issue. There was no doubt that the political environment would be fundamental to the attitude of many countries with regard to establishing such an organization. The subject remained under review, and the Group would come back to it when sufficient progress has been made in the Uruguay Round to allow all delegations to have a more clearly defined opinion about the initiative.

Agenda Item A(iii)

23. The Chairman invited comments on the issues under discussion relating to the third element of the negotiating mandate.

24. One participant said that the need for progress in improving economic policy coherence was urgent, not only with respect to trade, monetary and financial policies but also to the debt problem and to commodity and energy prices. His delegation did not see how the Uruguay Round could end without decisions being taken at the highest level to ensure greater policy coherence. He said that the Group had examined cooperation between the GATT, the IMF and World Bank at three levels: at the secretariat level, which had been addressed in the Report by the Director-General (NG14/W/35) and in a proposal made by another delegation (NG14/W/41); at the institutional level, but the Group appeared to have reached the conclusion that since the GATT was not a real institution, that debate would have to be reopened in the light of further institutional developments; and at the political level.

25. It was with regard to cooperation at the political level that his delegation had proposed that there be a Joint Declaration by ministers responsible for trade, financial and monetary matters (NG14/W/40). Doubts had been expressed about the practical feasibility of achieving such a declaration, and he agreed that time was now very short. Ideally, the Director-General should have received by now a mandate from the Group to develop the necessary contacts with his counterparts in the IMF and World Bank, but the time factor no longer guaranteed that such an approach would be successful. His delegation therefore proposed that the Group request the Secretariat to assemble quickly the substantive arguments that had been advanced in the Group with regard to the need to ensure greater policy coherence. The Group could then use the secretariat paper as a basis for arriving at a description of the coherence that was being sought between

trade policies and financial, monetary and development policies. A similar exercise should be carried out in due course in the IMF and World Bank, so that a Joint Declaration could be arrived at.

26. Following requests for clarification from a number of participants, this participant added that once GATT had described its position and its vision on coherence, contacts would be made with the IMF and World Bank so as to arrive at a Joint Declaration. The Secretariat was not being given a mandate to draw up a political declaration, but was being asked to compile objectively the views of different participants on this element of the Group's mandate. The proposal for a Joint Declaration might appear ambitious, but so far doubts about its practical feasibility had been expressed only at the secretariat level by the IMF and World Bank, not by member countries who had yet to discuss the issue at a political level. The GATT Secretariat, in compiling its paper, should ensure that the views of all participants were reflected.

27. One participant said that the Group had discussed the issue of policy coherence on the basis of NG14/W/40, which some participants had requested should be expanded upon by the delegation responsible for it, and of NG14/W/35 which covered practical co-operation between the GATT Secretariat and the IMF and World Bank. She agreed that it was important to have statement on coherence and she thought that the secretariat could help in the drafting of such a statement, but she remained doubtful about how this could be turned into a Joint Declaration with the IMF and World Bank. She was also troubled by the implication being drawn by one participant that without such a Joint Declaration the third element of the Group's mandate would not be satisfied.

28. One participant said that in his view it was too late to begin compiling views that had been expressed in the Group, and that participants should turn their attention at this late stage to drafting language that would bridge the difference between participants' positions. He would not object to the Secretariat preparing the paper that had been requested, but he doubted the utility of such an exercise. Nevertheless, the Secretariat should cover both the coherence and the institutional co-operation elements of this third element of the Group's mandate.

29. One participant said his delegation could support the proposal if the aim was to arrive at consensus language to present to the TNC on this element of the mandate.

30. Several participants said the issue of coherence was fundamental and they supported the proposal made. One added that a Joint Declaration should not be ritualistic; it should be enforced through periodic reviews, especially in regard to a commitment to provide financial assistance to developing countries. Another said the Secretariat paper should not overlook the need for financial support to countries adversely affected by the results of the Uruguay Round negotiations, especially net food importing countries, nor the need to avoid cross-conditionality.

31. One participant said that achieving greater policy coherence was an important part of the Group's mandate, and important also in the broader context of the Uruguay Round negotiations; recent experience showed, for example, that exchange rate fluctuations could easily overwhelm tariff changes. Coherence was important also as attention in multilateral trade relations shifted from border measures to encompass broader aspects of competition policy. However, the Group needed to recognize that there was little time left for negotiations and to be realistic in striving to achieve something meaningful before the end of the Round. In the view of his delegation, the Group should aim for the following: it should not make false claims about what it had achieved, but should settle rather for admitting to having recognized the problem even if it could do nothing about it; it should take some practical steps in the direction of a solution, along the lines proposed by an earlier participant, provided those steps were put into a general framework on the basis of some principles which should direct future work; and it should look into how to link this issue substantively with that of a multilateral trade organization.

32. The Chairman said that the Secretariat would prepare, on an informal basis, the paper that had been requested.

#### Other Business

33. The Chairman said that the Group would meet informally on 8 October to examine the Secretariat paper that had been requested, and that it would hold a further formal meeting on 22 October.