

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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Trade Negotiations Committee

TRADE NEGOTIATIONS COMMITTEE

Nineteenth Meeting: 7 November 1991

1. The Trade Negotiations Committee held its nineteenth meeting at official level, under the Chairmanship of Mr. Arthur Dunkel.
2. The Chairman made the following statement.<sup>1</sup>
3. "This is the fifth meeting of the Trade Negotiations Committee since the Brussels Ministerial Meeting of December last year. From now on, we will be meeting more frequently and at short notice. Indeed, the Committee has a critical rôle in ensuring the conclusion of the Uruguay Round well before the end of this year.
4. In July, I had laid out a negotiating strategy for the second half of this year. The essence of that plan was - and still remains - that governments use October and November as the "deal-making stage" of the Round. In proposing this I had based myself on a widely shared perception among negotiators that November is our best available window of opportunity for this purpose. I know that this perception is even stronger today.
5. Let me, therefore, take stock of where we are in the negotiating process and, more importantly, try to identify the points on which decisions must be taken now. I am doing so in order to direct the negotiating process towards ensuring a balanced, equitable and generally acceptable final package of results. Needless to say, I am working hand-in-hand with the Chairmen of all the Negotiating Groups. Needless to say also, I will, and they will, spare no efforts to ensure transparency in the process.
6. As you will find out, this stock-taking will be more specific than any we have undertaken before. This is possible only because the work which has been done in the most recent past -- in Geneva as well as in capitals -- has been useful. However, the Chairmen of the Negotiating Groups have informed me that progress so far has not been such as to offer a sufficient basis for compromise solutions on the essential substantive issues. This

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<sup>1</sup>Circulated at the end of the meeting as MTN.TNC/W/89.

causes me -- and should cause you -- serious concern. It is no secret that I had set early November as our goal for putting forward a complete revision of MTN.TNC/W/35/Rev.1, a document which, one year ago, was meant to bring Ministers to conclude the Round in five days of intensive negotiations. Today, I propose not five days, but several weeks, to achieve the same goal. I know that your governments are ready for this challenge.

7. Let us, therefore, get down immediately to business. To do so means, first of all, to avoid the trap of looking at the negotiating process solely in terms of the negotiating structure. In other words, attention should be more and more addressed to the basic elements of the global package which is our goal. These elements are:

- (i) market opening, a traditional and central part of all multilateral trade negotiations;
- (ii) rule-making, which in this Round means (a) establishing multilateral rules and disciplines in areas of increasing trade importance; (b) strengthening existing rules in order to underpin and secure the higher levels of market opening and competition which will be achieved; and (c) putting in place a dispute settlement system capable of dealing with future challenges to the multilateral system;
- (iii) bringing agriculture and textiles and clothing under improved multilateral rules and disciplines; and
- (iv) the institutional support necessary for implementing and securing the results of the negotiations.

8. I am going to take these four elements one by one. Let me, however, remind you that they have to be considered against the needs of the world economy -- a world economy in urgent need of stimulation and greater growth, a world economy in which radical economic reforms are occurring in a large number of countries in Asia, Africa, Latin America and Central Europe, not to speak of the Soviet Union, reforms which involve adoption of the basic GATT philosophy.

9. The Uruguay Round offers us, therefore, an historic opportunity to establish a strengthened multilateral trading system, broader in scope and more universal in membership.

#### MARKET ACCESS

10. Market access cuts across virtually the entire negotiating agenda: manufactured products, tropical products, natural resource-based products, textiles and clothing and agriculture. Market access negotiations involve not just the reduction and elimination of tariffs and non-tariff measures at the border, but also corresponding commitments at the level of domestic policies that distort trade and competition. It is therefore central to the balance that every government would like to achieve in the overall package.

11. The immediate problem is to set the scene for an effective negotiating process involving broad-based exchanges of concessions on the basis of the most-favoured-nation principle, taking into account the particular needs of developing countries.

12. One trigger to start the process lies in an early agreement on modalities, including tariffication, for negotiating market access as part of the reform programme being negotiated in agriculture.

13. A second trigger is agreement on modalities for liberalizing trade in textiles and clothing and for integrating this sector into the GATT.

14. The opening up of markets through the reduction of existing barriers is a key element of the negotiations in services. This is the purpose behind the initial commitments negotiations which will be an integral part of the General Agreement on Trade in Services (GATS).

#### RULE-MAKING

15. The establishment of multilateral rules and disciplines in areas of increasing trade importance brings me to two key subjects of the Uruguay Round -- Services and Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods (TRIPS).

- In Services, governments must adhere to the application of unconditional most-favoured-nation treatment as a general obligation and sharply restrict exemptions. This applies especially to such important service sectors as maritime transport, basic telecommunications, and audiovisual services, as well as to the movement of personnel related to the supply of a service.
- Technology and creativity have become, like services, a critical factor in international economic relations and competition. The TRIPS negotiations have brought within grasp an international consensus on a very wide range of issues concerning the impact of protection and enforcement of intellectual property rights on international competition. To bring this work to fruition three basic decisions have to be made. First, the level of protection must be adequate; this will require significant changes in national legislation in all countries. Second, governments must be convinced that the new consensus will be operational; this will require an effective multilateral dispute settlement mechanism and a commitment to use it as the means of settling disputes on TRIPS matters. Third, for a number of governments which are mainly importers of technology, the commitments in this area will have to be viewed in the context of the overall results of the Round.

16. A central part of the negotiating agenda concerns strengthening of existing rules and disciplines in the GATT system.

- In anti-dumping, the main task is now to find an acceptable compromise between the objective pursued by many governments of strengthening existing rules in such areas as the determination of the existence of dumping and injury, and the objective pursued by others of introducing new rules to ensure that the enforcement of legitimate anti-dumping measures is not circumvented.
- In the area of subsidies and countervailing measures the key question is whether the negotiators are ready to accept, in return for improved disciplines on the use of subsidies in general, that some subsidies which are not meant to have any trade distorting effects may be non-actionable (i.e., neither countervailing measures nor multilateral countermeasures will normally be taken against them). The second key question is the scope of special treatment for developing countries. If a satisfactory solution is found to these two issues, participants will have got parameters indispensable for resolving other outstanding problems.
- In the safeguards negotiations, the three main outstanding issues are: "quota modulation" (i.e., whether in an overall import quota, the share allocated to countries found to be contributing more to global injury could be lower than the share allocated to them on the basis of recent trade patterns); the time period allowed for phasing out "grey area" measures such as voluntary export restraints and orderly market arrangements; and the provisions which would preclude the use, for safeguards purposes, of measures other than those provided for in the agreement.
- Texts of revisions to seven GATT Articles are awaiting adoption -- on Articles II:1(b), XVII, XXIV, XXV:5, XXVIII, XXXV -- as well as a revised text for the Protocol of Provisional Application. These would contribute greatly to the strengthening of the GATT system. With the same objective in view, governments also have before them proposals to improve the functioning of the provisions relating to measures taken for balance-of-payments purposes.
- Concerning Trade-Related Investment Measures (TRIMS), though there are different opinions on a TRIMS agreement, the questions which must be addressed are: the specification of measures inconsistent with Articles III and XI of the GATT; the establishment of disciplines on export-performance requirements; the transitional arrangements needed in respect of measures to be eliminated; and the institutional support for any further work in this area.

17. Still in the broad area of rule-making and effective implementation, governments have to put in place a reinforced and credible dispute settlement system for dealing with future challenges to the multilateral

trading system. The degree to which the dispute settlement process should be automatic and binding and the linked question of doing away with unilateral measures are two major questions to be resolved. A third key question is the application of the dispute settlement process across the board to the package of the Uruguay Round results, particularly if all the results must be accepted as a single undertaking.

18. I could not leave this fundamental area of rule-making without drawing your attention to another major challenge that negotiators will have to confront -- and this is the relationship between basic improvements sought in a number of rules and disciplines contained in the GATT treaty on the one hand, and, on the other, the special rules and disciplines being considered as part of the reform programmes in agriculture and in textiles and clothing.

#### AGRICULTURE, TEXTILES AND CLOTHING

19. Let me now turn to agriculture. At the TNC in February this year I noted participants' agreement to negotiate specific binding commitments in each of the three areas of domestic support, market access and export competition, and to reach an agreement on sanitary and phytosanitary issues. Major elements of the reform programme have emerged through the intensive work carried out since then, including broad consensus on the product coverage of the agriculture negotiations. As agreed, special and differential treatment will apply in respect of developing countries. In addition to the fundamental point concerning market access to which I have already alluded, three further political decisions are key to bringing all the elements together and finalizing the package: the direct payments to be exempted from reduction commitments on domestic support; the policy coverage of reduction commitments in the export competition context; and, the amount, base period and duration of commitments to reduce support and protection.

20. In textiles and clothing, the central problem is the so-called "economic package", consisting of the product coverage of the agreement, the percentages for integration of products in stages, growth percentages for quotas on products not yet integrated, and the duration of the agreement. Successful conclusion of the textiles and clothing negotiations will bring this sector within GATT rules and disciplines after decades of managed trade. Trade in this sector amounts to almost a tenth of world trade in manufactures and is of crucial importance to a large number of participants.

#### INSTITUTIONS

21. I now come to the last of the four elements of the negotiations -- the institutional support necessary for implementing the results. A very well coordinated approach is essential in respect of the infrastructure that will be put in place to fulfil the requirements of notification, monitoring, surveillance, and dispute settlement arising from a large

number of Uruguay Round agreements. Agriculture, textiles and clothing, TRIPS, TRIMS and services come immediately to mind and there are others as well.

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22. As you would have noticed, I have tried, in my presentation, to bring back our negotiating process to its basic aims. However, as we all know, in a multilateral trade negotiation with the degree of ambition and foresight that this Round has every detail matters. This is why I have established, in cooperation with the Chairmen of the negotiating groups, a document elaborating an annotated negotiating agenda for our final sprint. This document -- MTN.TNC/W/89/Add.1 -- is available in the room. The size of the document is misleading. It takes more space to describe the problem than to write a solution for it !

23. And now a word about the negotiating strategy for November. Starting from Monday, 11 November, the seven chairmen will be conducting continuous and simultaneous negotiations in this building with a view to establishing agreed texts in the individual areas. By the end of this month, and on the understanding that nothing is final till everything is agreed, we must be in a position to consider in the Trade Negotiations Committee the results achieved across the board.

24. In any case, the TNC remains on call and will be required to review the process at any time during this period if deadlocks occur. This is, of course, in addition to the functions which the GNG and GNS have been charged to perform in terms of their mandates."

25. On behalf of the developing countries, the representative of Morocco said that in July 1991, the developing countries had welcomed the high-level political commitment made by the Group of 7 to the successful completion of the Uruguay Round negotiations and had also expressed their gratification at the manifestations of support by the IMF, the World Bank, and the OECD. There was therefore reason to hope that the negotiations would make substantial, indeed decisive, progress so that the political commitment would be reflected in specific actions in the negotiations. Unfortunately, that had not been the case so far. If this situation were to continue, the Round would unquestionably be in peril, which would seriously jeopardize the future of the multilateral trading system and cast a threatening shadow over investment and employment. The developing countries could not believe that this could happen, for there was only one credible path, that of international trade conducted within a multilateral system of agreed and transparent rules, the life-blood of world economic growth and prosperity as well as the underpinning of democracy in an increasingly interdependent world. They were confident that their developed partners would immediately take the necessary political decisions for a successful outcome of the Round. Starting from this premise, not only had the developing countries shown unswerving political commitment, as reaffirmed by their Foreign Ministers when they recently met in New York, but they had constantly taken autonomous measures to achieve the negotiating objectives. The panoply of liberalization measures adopted in

the tariff, non-tariff and other areas, the significant offers submitted on market access, and the active and constructive participation in the negotiations on the new subjects (services, TRIPs, TRIMs), where heartening progress had been made partly as a result of their efforts, all these initiatives and actions showed how far they had been engaging in these negotiations in an open and constructive spirit. They were ready to shoulder their responsibilities in the belief that all other participants would do the same, beginning with the major trading partners.

26. In this final phase of the negotiations, certain negative trends damaging to the vital interests of developing countries had to be corrected. Market access in the broad sense (agriculture, textiles and clothing, tropical products, natural resource-based products and tariffs and non-tariff measures), to which the developing countries attached high priority, continued to be conspicuous for a lack of results, and this was a matter of great concern to them. The developing countries had to emphatically declare that the Round would have no meaning without a real improvement in market access for the products of interest to them. Without satisfactory results in market access, the evaluation of the final package would be pointless. The same applied to rules, which were clearly linked to market access. They should lead to strengthened and objective multilateral disciplines, in particular as regards anti-dumping, safeguards, subsidies and countervailing measures, so as to strengthen the multilateral trading system on a basis of stability and predictability. This multilateral trading system had to be strong and credible, secure the growth of the world economy, and offer new opportunities to developing countries to support their economic growth as well as satisfy the needs of the least-developed countries.

27. The fundamental reason for highlighting the issues of market access and rules was because they required urgent political decisions, taking due account of the imbalances that characterized the negotiations on these subjects. The time had come to take those decisions in this framework. In accordance with the Punta del Este Declaration, an evaluation was to be conducted in the Group of Negotiations on Goods of the results attained in the negotiations before completion. This evaluation would determine whether the results as a whole were balanced, substantial and generally acceptable for the developing countries. In this final and decisive phase, it was important that all actions were set within the framework of multilateralism, and also that the interests of small delegations were duly taken into account in the programming of meetings, among other things. Likewise, particular attention should be paid to the problems of the least-developed countries, in accordance with the Punta del Este Declaration. Time was slipping by inexorably, or even dangerously. It was extremely urgent to take the necessary decisions to achieve results that were balanced and satisfactory for all. The Committee might count on the full cooperation of the developing countries to that end.

28. One representative supported the statement by the representative of Morocco and said that the success of the Uruguay Round would help to avoid short-sighted mercantile policies which might lead to highly dangerous international environment and consequences. The modalities of integration of certain sectors into GATT would be part of how the final package was

viewed; they might make the package a costly affair in the light of some participants' desire for a fair and balanced outcome to be calculated in line with market access and the integration of certain sectors into GATT on the one hand, and the new areas on the other. Assistance by the GATT Secretariat was needed to do that calculation. The Ministerial meeting of the Group of 77, to be held shortly in Teheran, would do the same exercise under one of its agenda items. A balanced outcome was also contingent on full participation in the negotiations: to permit smaller delegations to participate effectively and actively in the negotiations, not more than two negotiating group meetings should be held at the same time.

29. The Chairman responded to the above statements saying that he himself had already referred to the evaluation to be conducted by the GNG (paragraph 24 above) and expressed the hope that it would be done soon. With respect to the problems of delegations having to attend more than two meetings at the same time, he said that he was fully aware of the limits in terms of capacity under which smaller delegations had to operate. He would do his utmost to ensure maximum transparency in the negotiations.