

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED
MTN.TNC/27
7 December 1992
Special Distribution

Trade Negotiations Committee

TRADE NEGOTIATIONS COMMITTEE

Twenty-Third Meeting: 26 November 1992

1. The Trade Negotiations Committee (TNC) held its twenty-third meeting at official level under the Chairmanship of Mr. Arthur Dunkel.
2. The Chairman said that the purpose of the present meeting was set out in paragraph 2 of GATT/AIR/3374 namely, "to review developments since the meeting of 10 November, and to take appropriate action".
3. He recalled that at its last meeting the Trade Negotiations Committee had requested its Chairman at official level to bring the concerns of participants to the notice of the authorities in charge of the Uruguay Round in Brussels and Washington. These concerns were outlined in paragraph 12 of document MTN.TNC/26.
4. He could now inform the Committee that through his meetings on 11-12 November in Brussels, and on 15-17 November in Washington, he had carried out his mandate. Both the Brussels and Washington authorities had organized these meetings at the shortest possible notice. Both parties had responded to the participants' message in the most positive and constructive terms, even more so because they were already engaged in a process of intensive consultations. As participants were aware, these consultations had led to the understanding communicated to the Trade Negotiations Committee in document MTN.TNC/W/103, which had been circulated at the request of both parties.
5. At the most recent Trade Negotiations Committee meeting, he had been asked "to propose a concrete work programme as soon as developments indicated a genuine readiness by all governments to engage in substantive negotiations in Geneva on the basis of transparency and mutual trust".
6. Taking into account the joint communication to which he had just referred, and also basing himself on intensive consultations he had carried out with participants in the Uruguay Round, he proposed that the Committee agree that substantive negotiations in Geneva be re-activated as of the present day with a view to achieving a successful political conclusion of the Uruguay Round before the end of 1992.
7. As to the overall strategy for concluding these negotiations, he saw no reason to change the approach which the Committee had agreed in January 1992 (MTN.TNC/25). In other words, the four-track approach outlined then

GATT SECRETARIAT

UR-92-0112

remained fully valid even today. This implied also that two basic concepts which underpinned the four-track approach should not be forgotten:

- one, the concept of globality requiring the participants to keep constantly in mind the interlinkages between each of the four tracks and parallelism among them; and
- two, the concept that nothing was final until everything was settled.

8. Turning specifically to the work programme, he made the following comments:

- (i) The final and complete results of the Round would be consolidated in a document consisting essentially of two elements: the Final Act and the Schedules of Concessions;
- (ii) In respect of the Final Act, a draft had been before the Committee since December 1991. This draft document had, of course, to be multilaterally reviewed and finalized. And this exercise, so critically important for the success of the Round, could only be credible if all recognized that there could only be one such review. This would call for discipline and self-restraint from all participants. Without this, a quick conclusion of the Round - to which he knew all were now clearly committed - would not be possible.

He reminded the participants that at the Committee's meeting in January, he had indicated that Track Four had been established with a view to examining whether it was possible to adjust the Draft Final Act in certain specific places; that these adjustments should be concentrated entirely on what all could collectively agree to without unravelling the package; and that the exercise would also have to be conducted rapidly, in a low-key professional manner, and in full consciousness of the very limited time available. These comments remained equally valid today.

- (iii) The elements included in the multilateral review of the Draft Final Act would be as follows:
 - feedback from the establishment of detailed Schedules under Tracks One and Two as far as progress in negotiations on market access and initial commitments in services was hindered by differing interpretation by participants of specific elements of the Draft Final Act. At first sight, this feedback could be expected mainly from Track One.
 - feedback from Track Three as far as it became clear that some specific questions raised under this track went beyond technical or legal drafting. Two questions which already

appeared to fall in this category were certain institutional issues and dispute settlement.

9. As to the establishment of Schedules under Tracks One and Two, he recognized that it would not be possible to formally conclude the process in the next weeks. However, this should not prevent participants from moving rapidly to a stage where the overall shape, content and value of the trade liberalization package in goods and services could be clearly assessed.

10. The Chairmen of the different tracks were already in the process of consulting participants with a view to establishing the calendar and the modalities of the work programme they had been entrusted to carry out.

11. The Trade Negotiations Committee would remain on call, as would the Group of Negotiations on Goods. He sincerely hoped that well before the year-end break, the participants would be able to congratulate each other on their collective success.

12. The representative of Brazil, on behalf of the Latin American and Caribbean countries, expressed satisfaction that it had been possible to overcome the deadlock between the United States and the European Community, thus making it possible for the negotiations to return to Geneva, the focal point of the work of the Round. Although they were concerned at the very little time left between now and the end of the year, in order to abide by the programme outlined by the Chairman and to achieve a successful political conclusion, they were nonetheless determined to work towards that result as vigorously as possible. They also emphasized the need for (1) detailed information on the part of all partners in the bilateral negotiations, (2) full participation in the negotiations to be held in this decisive phase, and (3) exerting the maximum self-restraint in dealing with Track Four in order to minimize the risk of unravelling the Draft Final Act. Finally, bearing in mind the Chairman's statement, particularly the reaffirmation of the globality of the negotiations and of the principle that nothing was final until everything was settled, the Latin American and Caribbean countries further emphasized that their assessment of the results of the Round would depend on what happened in the area of market access for products of specific interest to them. The absence of meaningful offers on the part of the major actors in this exercise was alarming, particularly in light of the concessions made by their own countries on other important aspects of the negotiations.

13. The representative of Japan welcomed the fact that the multilateral process in Geneva was now re-activated for which Japan had anxiously waited for a long time. He congratulated the US and EC negotiators for having been able to resolve their differences. Having listened carefully to the Chairman's statement outlining a work programme, he assured the latter of his Government's readiness to participate in good faith in the multilateral process. He asked that as a necessary first step, the United States and the Community share with the other participants the understanding reached between them on agriculture, market access and services. All participants had to know, precisely and in detail, the actual changes that these two

wished to make in the Draft Final Act (DFA). He reminded the participants of his delegation's oft-expressed position on the Draft Final Act. The difficulties that Japan encountered in the DFA had to be resolved appropriately in the process ahead. While he shared the hope that a successful political consensus could be achieved before the end of the year, all had to collectively make an effort, without taking any short-cuts.

14. The representative of Korea said that during the past few weeks, the international Press had focused attention on the negotiations between the two most important trading partners in the world, and the Korean Press, reflecting the concerns of Korea's farmers and people at large, had been no exception. As a country with a great stake in the outcome of the Round and in strengthening the rule-based multilateral system, Korea welcomed the breakthrough achieved by the Community and the United States. This was needed not only for a successful conclusion of the Round, but to avert a trade war which could have had a devastating effect on the already ailing world economy. The main blockage that had stood in the way of the successful conclusion of the Round had been removed, and there now seemed to be a genuine readiness on the part of all participants to re-engage in the multilateral process in Geneva. For its part, his delegation was ready to participate fully in all aspects of the negotiations under the work programme just put forward and which it considered reasonable. As always, Korea would continue to be a constructive player through all the stages of the negotiations with the sense of discipline and restraint underlined by the Chairman.

15. In pledging his delegation's fullest cooperation in the conduct of the negotiations, he would stress two important points. First, the political package that was intended to be brought into existence by the end of the year, had to be the final package, reflecting the interests of all participants so that they could together celebrate their collective achievement; this meant that issues of vital interest to some countries should be dealt with in a serious and equitable manner. This question of principle and fairness had to be emphasized. Second, his delegation was fully in agreement with the Chairman's repeated re-affirmation of the fundamental principle underlying any multilateral negotiations, namely that nothing was final until everything was agreed; Korea regarded this principle seriously, because it wished to emphasize the imperative of enabling all participants to actively cooperate in the creation of a new, healthy and well-functioning multilateral trade system.

16. The representative of Tanzania¹ hoped that a balanced outcome of the Uruguay Round, responding to the expressed interests of all participants, would be forthcoming at the end of the resolution of all outstanding issues to which the Chairman had made quite specific reference in his statement to the 10 November TNC meeting (MTN.TNC/26).

¹The text of Tanzania's statement has been circulated in document MTN.TNC/W/104 of 30 November 1992.

17. From the outset, having participated in negotiating the Punta del Este Declaration which set out the mandate and objectives of the Round, the least-developed countries had been witnessing, almost helplessly, the steady erosion not only of the letter but of the spirit of that Declaration, certainly as far as their economies were concerned.

18. Only a few days earlier his delegation had received a communication from the GATT Secretariat, purportedly aimed at assisting the ACP and the least-developed countries, which insisted that these countries commit themselves to becoming members of the still-to-be structured Multilateral Trade Organization (MTO). An identical communication had been addressed to his Minister, with an invitation to participate in a meeting convened to take place in Geneva on 8-11 December. The communication stated, inter alia, that agreements and legal instruments from the Uruguay Round dealing with trade liberalization and improved trade rules "would be available only to those countries which become members of the MTO. Countries which remain outside the MTO will be unable to share fully in the results of the Round and will lack a voice in the new organization that will provide the future framework for multilateral trade relations. In the longer run, a non-member of the MTO may find even its present benefits as a contracting party to the GATT eroded, since many governments which join the MTO may withdraw from the present GATT". Furthermore, it stated that "all contracting parties to the GATT are eligible to become original members of the MTO. But conditions will be attached to this right. A basic requirement for membership is likely to be that each government undertakes certain commitments and concessions as regards opening its domestic market to goods and services exported by other MTO member countries. It is agreed that commitments sought from developing countries, especially least-developed countries, shall not be inconsistent with their development, financial and trade needs. However, it is likely that at least some commitments must be made by all, or eligibility to join the MTO as an original member may be lost. While later accession to the MTO would still be possible, this would require fresh negotiations".

19. He recalled that from the very outset of the Round, his delegation had stressed the dangers inherent in placing under-developed countries in a constricting straitjacket. To the best of his delegation's recollection, no serious negotiations had taken place on the structure and the mandate of the so-called MTO. He added that the fact that provision for the evaluation of the results of the GNG had not been extended to those of the GNS would logically indicate that these were two separate areas of engagement. While his delegation could understand that for reasons of cost saving a single Secretariat might serve the two separate arrangements, it was difficult to see how the MTO could be presented as a 'fait accompli'. He recalled his delegation's persistently expressed position that Tanzania's level of under-development did not permit it to make any commitments in respect of trade in services.

20. His delegation had tirelessly argued in favour of a just and equitable framework of multilateral trade relations. It had made specific observations, in the context of the actual functioning of the GATT, as to how privileges in the form of waivers, derogations, special marketing

arrangements, and the non-acceptance and non-implementation of panel reports had been resorted to by the industrialized countries for the past half a century in order to expand global economic space for themselves. This they had been able to do with impunity, while it was the sword of Damocles -- which some might even describe it as a 'coup de grâce' -- that was most visible in the GATT's communication to the ACP countries.

21. While the least-developed countries were anxious to continue to remain aboard a sustained and sustainable international multilateral trading system, they would again ask the more advanced countries to take an objective look at the history of their respective political economies, and at the skeletons in their own cupboards. To declare the least-developed countries, for all practical purposes, as outcasts was to take on a terrible historical responsibility for which a heavy price would have to be paid at some point.

22. The least-developed countries were not short of knowledgeable and competent analysts. While almost all of them were persuaded that the market was a weighty tool for the management of resources, very few were convinced that it could alone ensure balanced social development and provide a durable basis for political stability.

23. However much the negotiators of the advanced economies insisted that the Uruguay Round was concerned with technical negotiations, they all knew only too well that it was the political imperatives that became the final determinants. His delegation would reiterate its deeply felt perception that in embarking on the Round, the international community had bitten off more than it could chew, and that when its outcome came to be translated into an operational reality, the fears he had expressed would predictably be reflected in matters appearing on the agenda of the expanded machinery. Tanzania found it difficult to perceive a great deal of realism in the Chairman's proposal for a politically conclusive outcome of the Round to be achieved by 31 December 1992, certainly as seen by many developing countries.

24. The representative of Morocco, on behalf of the developing country participants, recalled that they had been amongst those that had maintained, after the submission of the DFA in December 1991, that the Uruguay Round depended on two elements: first, an agreement between the United States and the Community, which was indispensable, and second, an agreement amongst all the participants. The developing countries welcomed with satisfaction the re-activation of the multilateral process, and were willing to participate fully in this phase of negotiations which they hoped would be entirely transparent and also fruitful on the basis of the four-track approach. The Chairman could count on the developing countries' full participation in ensuring that the Round concluded successfully.

25. The representative of Egypt said that Morocco's statement reflected his country's views. Since Egypt currently chaired the African Group, his own statement would also reflect the views of a number of other delegations. He congratulated the United States and the Community for having reached a compromise on some areas of the Uruguay Round. A real compromise would depend, however, on the ability of all major trading

partners to conduct further negotiations in a rational approach that took into consideration the interests of all the other trading partners, including developing countries. While Egypt and others would have wished that the Round had been concluded earlier, this had been beyond their control. With respect to Track Four, they understood that it was provided to protect the interests of all trading partners, and that it should not lead to the unravelling of the Draft Final Act, but rather only consolidate and encourage a serious spirit of understanding and a real will to implement the outcome of the negotiations. They looked forward to participating fully in the current negotiations to safeguard their genuine priorities, including the need of the net food importing countries to have their vital interests reflected in the DFA. They looked forward to a realistic, serious and credible schedule for the work programme on the continuation of the negotiations, which should take into consideration the time constraints of some countries. The work programme should preserve the credibility of concluding the Round as soon as possible for the satisfaction of all trading partners.

26. The representative of India welcomed the fact that developments had taken place which would enable a resumption of the multilateral negotiations. Indeed, it had expressed this wish at the Committee's 10 November meeting and happily it was here to recognize that that had actually happened and that one would resume the negotiations. India's conviction was that the forthcoming multilateral negotiations would ultimately be successful only if the concerns of all participants were taken into consideration and addressed. He recalled that India's concerns in these negotiations had already been spelt out in his delegation's statements at the Committee's meetings on 13 January and on 10 November. India looked forward to hearing from the United States and the Community on the elements of their understanding on agriculture, and to resuming the negotiations and addressing the other issues that were involved, such as those which had been referred to by the Chairman and by Tanzania, namely issues relating to the Multilateral Trade Organization and to dispute settlement. These were issues that were still unresolved and that had to be addressed, and he did not have the impression that the conclusions drawn in the letter by the Secretariat referred to by Tanzania -- and which he had not seen -- were really those that could be drawn at the moment on the basis of India's understanding of the DFA texts concerned, such as they were now. India looked forward to addressing these issues.

27. The Chairman recalled that at the outset of the meeting he had drawn attention to its Agenda which, as could be seen, clearly addressed two points: (1) the mandate given to him at the previous TNC meeting, and (2) a work programme for the future. He had not gone into substantive issues but felt it necessary to say that there were two main motivations behind recent efforts aimed at re-activating the negotiations: the first was the collective wish of governments to strengthen the multilateral trading system and maintain its credibility, and the second -- since the multilateral trading system was not theoretical but affected concrete national interests -- the feeling (quoting from the joint EC/US press statement reproduced in MTN.TNC/W/103), that a successful outcome "will be a positive factor for the trade and economic growth of the economies of the

world". He felt that this statement would apply to all economies and all nations. If these two objectives were borne in mind in the forthcoming week, the common goal of all participants could be achieved.

28. He then asked whether the Committee agreed to the proposals he had made earlier on in the discussion.

29. The Trade Negotiations Committee so agreed, and took note of the statements.

30. The Chairman said that before closing the meeting, he would recall his remark that work would be started as of now. As to specific dates, he assured participants that the Chairmen concerned would be immediately consulting them to put in place a concrete work programme.

31. The Committee took note of the statement.