

COUNCIL OF THE EUROPEAN COMMUNITIES

1104th meeting of the Council

- Foreign Affairs -

Punte de Este (Uruguay), 20 September 1986

President: Mr. Channon
United Kingdom

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Number, place and date of meeting	Subject	President	Commission	Main items of business
1104th Punta del Este (Uruguay) 20 September	Foreign affairs	Mr Channon	Mr De Clercq	Examination of outcome of negotiations and adoption of decisions necessary for Community approval of final statement of GATT ministerial conference ⁵

4. Launching of a new round of GATT trade negotiations in Punta del Este

4.1. After a week of intense discussions the ministers of the 92 nations taking part in the Punta del Este Conference (from 15 to 20 September) decided to launch a new round of multilateral trade negotiations, to be called the Uruguay Round, following on from the Tokyo Round.¹ The Conference was chaired by Mr Enrique Iglesias, the Uruguayan Foreign Minister. The Community was represented by Mr Willy De Clercq, Member of the Commission with special responsibility for external relations and trade policy.

The difficulties which had long been a stumbling block during the preparatory work² were ironed out in a consensus true to the best GATT traditions. The mutual concessions granted by the main protagonists enabled a balance to be struck which was acceptable to all concerned.

¹ Thirteenth General Report, points 494 and 495

² Bull. EC 2-1986, point 2.2.1, Bull. EC 4-1986, point 2.2.1, Bull. EC 5-1986, points 2.2.1 to 2.2.7, Bull. EC 6-1986, points 2.2.2 and 2.2.3.

The Punta del Este declaration lays down the objectives, scope and organization of the new negotiating round. 'Traditional' issues, such as tariff and non-tariff barriers, will be discussed and the delicate subject of agriculture will be tackled with a view to sorting out the situation of world agricultural trade. The discussions on this item were particularly intense, notably on the question of aid. The Community successfully made the point that all measures affecting this sector should be taken into consideration and not just export subsidies.

The most striking innovation in this new round is the inclusion of new subjects: trade in services, which will be a key aspect of the negotiations, intellectual property and trade-related investment measures.

The negotiations will be supervised by the Trade Negotiations Committee and will be split into goods and services. Subgroups will be set up to study specific topics.

The Trade Negotiations Committee is to meet by 31 October and is to draw up a negotiating plan by 19 December. The negotiations are expected to last for four years.

Speech delivered by Mr Willy De Clercq on 16 September

1.4.2. 'Punta del Este is today the focus of world attention. The international economic situation is a continuing source of concern. Economic recovery is not assured. Monetary and financial problems are tending to get more serious. Protectionism is still rife. This situation is particularly affecting the developing countries.

It is not up to trade policy makers to redress imbalances originating in other fields, such as the macroeconomic, monetary and financial. Nevertheless, parallel action must be taken in these areas, in order to improve the international economic environment. While some progress has already been achieved in this direction, a great deal still remains to be done.

In the field for which we have responsibility, namely trade, revival of the world economy calls for vigorous and sustained action to boost international trade. A new and ambitious round of

multilateral negotiations is therefore essential. It is our responsibility to produce over the next few days a joint message of confidence and encouragement to the international community at large. The stakes are high. Let us therefore, together, take decisions which will enable the prosperity and well-being of our society to be assured at the threshold of the third millenium.

The Community is aware of its responsibilities and is participating in this meeting with the firm intention of successfully crowning it with the launching of the New Round.

...

The Community's objectives are the consolidation, strengthening and adaptation of the multilateral trading system and the expansion of international trade.

The Community considers that standstill must be respected by all Contracting Parties throughout the duration of these negotiations, as an essential precondition for their success. A firm commitment is required here. The Community is also prepared to take part in a collective and fairly shared political undertaking to dismantle measures which are incompatible with standard GATT rules and which hamper or distort trade.

As regards agriculture, the continuing disarray of world markets, reflected in an imbalance between supply and solvent demand, is now such that, for order to be restored, excess production must be tackled, stocks pressuring the market eliminated in a concerted manner, and world trade rules strengthened within the framework of the General Agreement.

If they are to succeed, the negotiations will need to cover in a balanced way all aspects of trade in agricultural products without, however, overemphasizing any one such aspect. Similarly, these negotiations cannot overlook the—acknowledged—specific features and problems of the agricultural sector. The Community naturally intends to ensure that the negotiations do not place in question the fundamental aims and mechanisms of its own agricultural policy. Also, the interdependence of problems and the multiplicity of methods of intervention in this sector manifestly call for the negotiations on agriculture to be handled by a single group which will be clearly and undeniably responsible for their conduct and successful conclusion.

A further Community objective is to bring the GATT into line with present and future realities. The launching of this New Round is not conceivable without taking into account the significant changes which are taking and will take place in the trading environment. The GATT too must "change" and, in so doing, cover "non-tra-

ditional" issues, by which I mean trade in services, intellectual property and the trade aspects of investment.

The level of international trade in services stands at one quarter of the level of trade in goods; services today constitute one of the most dynamic features of the world economy.

It is, in our view, essential to negotiate a multilateral framework of principles and rules and to devise—as far as possible and having regard to the particular features of the various services—specific disciplines by sector or group of sectors. The aim must be to increase transparency and to liberalize trade.

The absence of adequate protection in the case of intellectual property has led to considerable distortions in trade in certain sectors. The GATT can and must act in parallel with other institutions in framing principles and rules relating to the trade aspects of intellectual property. Our aim in this area, as in the area of investment, must be to create a favourable, dynamic climate which will give a fresh boost to the world economy.

These three issues must form an integral part of the negotiations. The Community therefore approves in its entirety the text of W/47 rev. 2 relating to them.¹

One of the aims which that draft establishes is to ensure the mutual advantage of, and to bring increased benefits to, all participants. As far as the Community is concerned, the text fails to dispel existing ambiguities. It feels that many of the present tensions affecting world trade find their origin in the fact that concessions negotiated between the various Contracting Parties have in reality not resulted in effective reciprocity. It is therefore essential that the Ministerial Declaration should establish the objective of achieving a genuine balance in the benefits accruing to the Contracting Parties from the GATT.

At the beginning of my statement I addressed some of the problems facing the developing countries. I should like to conclude by repeating that the Community intends to continue to pay particular attention to the specific and legitimate needs of the less-developed countries. In that connection, it does not intend to place in question the principle of special and differential treatment for developing countries. Account will of course have to be taken of the substantial economic progress of some of these countries, since this principle needs by definition to be applied in an evolutionary way...

Statement by Mr Enrique Iglesias, Chairman of the Conference

1.4.3. Before proposing adoption of the Ministerial Declaration on the Uruguay

Round, the Chairman noted that the purpose of the Declaration was to launch multilateral trade negotiations on goods and services. This involved taking three decisions: the first would be to adopt, as the Contracting Parties, Part I of the Declaration, relating to negotiations on trade in goods; the second would be to adopt Part II, on trade in services, as representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este; thirdly, again as representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este, to adopt the Declaration as a whole.

He then made the following specific points:

Representatives of certain governments had expressed concern regarding a number of problems relating, in particular, to commodities, natural resource-based products and tropical products. Those governments were concerned that solutions to their problems be found and implemented quickly. Specific proposals had been put forward by certain African governments in MIN(86)/W/18. While he was sure that this conference attached great importance to those concerns, it had not been possible to complete consideration of the proposals at the conference. It had, therefore, been agreed that the proposals would be considered by the Trade Negotiations Committee foreseen in the Declaration.

In order to participate fully in the negotiations, developing countries would require technical support. There was agreement that technical support by the Secretariat, adequately strengthened, should be available to developing countries participating in the negotiations.

Some governments had expressed concern over trade measures applied for non-economic reasons.

He then summarized discussions that had taken place on the objectives of the negotiations:

¹ Draft Ministerial Declaration submitted to the Preparatory Committee by Switzerland and Colombia.

(i) There had been a proposal to include, among the objectives of the negotiations, that of redressing growing disequilibria in world trade and of achieving, in the spirit of the Preamble to the General Agreement, a greater mutuality of interests.

(ii) However, it had been represented that the foregoing proposal might lead to a trading system incompatible with the basic objectives and principles of GATT, the guarantor of the open and non-discriminatory trading system.

(iii) Nevertheless, it was common ground that growing disequilibria in world trade constituted a serious problem and would need to be tackled by the countries concerned by various policy means including macroeconomic policy, exchange rates, structural reform and trade policy.

(iv) It was furthermore agreed that in the negotiations every contracting party should make genuine efforts to ensure mutual advantages and increased benefits to all participants, in accordance with the principles of the GATT.

Some proposals had been received regarding the setting up of negotiating groups for the negotiations. These proposals would be formally circulated after the session.

He noted that there were certain issues raised by delegations on which a consensus to negotiate could not be reached at this time. These issues included the export of hazardous substances, commodity arrangements, restrictive business practices and workers' rights.

He then clarified that it was understood that paragraph F(b) was interpreted as meaning that (a) all participants in the multilateral trade negotiations have the right to participate in all negotiations on all issues and that (b) non-contracting parties shall only be precluded from participation in decisions of contracting parties relating to the results of these negotiations.

The conference had noted requests by certain governments, not at present covered by the provisions in the Declaration on participation, to take part in the multilateral

trade negotiations. The Director-General was authorized, upon request by such governments, to keep them informed of progress in the negotiations.

No delegation present would see in the Declaration all the points that it wished to be included when this meeting had opened. Many of the specific concerns of delegations would have to be pursued in the negotiations themselves, and this was as it should be.

The Contracting Parties adopted Part 1 of the Declaration.

Delegations made statements.¹

The Chairman then addressed participants as representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este.

He stated that a number of the agreed points that he had read out before the adoption of Part I of the Declaration also applied to Part II.

The representatives of governments meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este adopted Part II of the Declaration.

These representatives then adopted the Declaration as a whole as a single political undertaking launching the Uruguay Round.

Delegations made statements.¹

Ministerial Declaration on the Uruguay Round

1.4.4. The Ministers, meeting on the occasion of the Special Session of the Contracting Parties at Punta del Este, have decided to launch Multilateral Trade negotiations (the Uruguay Round). To this end, they have adopted the following Declaration. The multilateral trade negotiations (MTN) will be open to the participation of countries as indicated in Parts I and II of this Declaration. A Trade Negotiations Committee (TNC) is established to carry out the negotiations. The Trade Negotiations Committee shall hold its first meeting not later than 31 October 1986. It shall meet as appropriate

¹ Reflected in the summary records.

at Ministerial level. The multilateral trade negotiations will be concluded within four years.

Part I

Negotiations on trade in goods

The Contracting Parties meeting at ministerial level

determined to halt and reverse protectionism and to remove distortions to trade;

determined also to preserve the basic principles and to further the objectives of the GATT;

determined also to develop a more open, viable and durable multilateral trading system;

convinced that such action would promote growth and development;

mindful of the negative effects of prolonged financial and monetary instability in the world economy, the indebtedness of a large number of less-developed contracting parties, and considering the linkage between trade, money, finance and development;

decide to enter into multilateral trade negotiations on trade in goods within the framework and under the aegis of the General Agreement on Tariffs and Trade.

A. Objectives

Negotiations shall aim to:

(i) bring about further liberalization and expansion of world trade to the benefit of all countries, especially less-developed contracting parties, including the improvement of access to markets by the reduction and elimination of tariffs, quantitative restrictions and other non-tariff measures and obstacles;

(ii) strengthen the role of GATT, improve the multilateral trading system based on the principles and rules of the GATT and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines;

(iii) increase the responsiveness of the GATT system to the evolving international economic environment, through facilitating necessary structural adjustment, enhancing the relationship of the GATT with the relevant international organizations and taking account of changes in trade patterns and prospects, including the growing importance of trade in high-technology products, serious difficulties in commodity markets and the

importance of an improved trading environment providing, *inter alia*, for the ability of indebted countries to meet their financial obligations;

(iv) foster concurrent cooperative action at the national and international levels to strengthen the interrelationship between trade policies and other economic policies affecting growth and development, and to contribute towards continued, effective and determined efforts to improve the functioning of the international monetary system and the flow of financial and real investment resources to developing countries.

B. General principles governing negotiations

(i) Negotiations shall be conducted in a transparent manner, and consistent with the objectives and commitments agreed in this Declaration and with the principles of the General Agreement in order to ensure mutual advantage and increased benefits to all participants.

(ii) The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreements shall be taken into account in assessing the overall balance of the negotiations.

(iii) Balanced concessions should be sought within broad trading areas and subjects to be negotiated in order to avoid unwarranted cross-sectoral demands.

(iv) Contracting Parties agree that the principle of differential and more favourable treatment embodied in Part IV and other relevant provisions of the General Agreement and in the Decision of the Contracting Parties of 28 November 1979 on differential and more favourable treatment, reciprocity and fuller participation of developing countries applies to the negotiations. In the implementation of standstill and rollback, particular care should be given to avoiding disruptive effects on the trade of less-developed contracting parties.

(v) The developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of developing countries, i.e. the developed countries do not expect the developing countries, in the course of trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall there-

fore not seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs.

(vi) Less-developed contracting parties expect that their capacity to make contributions or negotiated concessions or take other mutually agreed action under the provisions and procedures of the General Agreement would improve with the progressive development of their economies and improvement in their trade situation and they would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement.

(vii) Special attention shall be given to the particular situation and problems of the least-developed countries and to the need to encourage positive measures to facilitate expansion of their trading opportunities. Expedient implementation of the relevant provisions of the 1982 Ministerial Declaration concerning the least-developed countries shall also be given appropriate attention.

C. Standstill and rollback

Commencing immediately and continuing until the formal completion of the negotiations, each participant agrees to apply the following commitments:

Standstill

(i) not to take any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement or the instruments negotiated within the framework of GATT or under its auspices;

(ii) not to take any trade restrictive or distorting measure in the legitimate exercise of its GATT rights, that would go beyond that which is necessary to remedy specific situations, as provided for in the General Agreement and the instruments referred to in (i) above;

(iii) not to take any trade measures in such a manner as to improve its negotiating positions.

Rollback

(i) that all trade restrictive or distorting measures inconsistent with the provisions of the General Agreement or instruments negotiated within the framework of GATT or under its auspices, shall be phased out or brought into conformity within an agreed timeframe not later than the date of

the formal completion of the negotiations, taking into account multilateral agreements, undertakings and understandings, including strengthened rules and disciplines, reached in pursuance of the objectives of the negotiations;

(ii) there shall be progressive implementation of this commitment on an equitable basis in consultations among participants concerned, including all affected participants. This commitment shall take account of the concerns expressed by any participant about measures directly affecting its trade interests;

(iii) there shall be no GATT concessions requested for the elimination of these measures.

Surveillance of standstill and rollback

Each participant agrees that the implementation of these commitments on standstill and rollback shall be subject to multilateral surveillance so as to ensure that these commitments are being met. The Trade Negotiations Committee will decide on the appropriate mechanisms to carry out the surveillance, including periodic reviews and evaluations. Any participant may bring to the attention of the appropriate surveillance mechanism any actions or omissions it believes to be relevant to the fulfilment of these commitments. These notifications should be addressed to the GATT secretariat which may also provide further relevant information.

D. Subjects for negotiations

Tariffs

Negotiations shall aim, by appropriate methods, to reduce or, as appropriate, eliminate tariffs including the reduction or elimination of high tariffs and tariff escalation. Emphasis shall be given to the expansion of the scope of tariff concessions among all participants.

Non-tariff measures

Negotiations shall aim to reduce or eliminate non-tariff measures, including quantitative restrictions, without prejudice to any action to be taken in fulfilment of the rollback commitments.

Tropical products

Negotiations shall aim at the fullest liberalization of trade in tropical products, including in their

processed and semi-processed forms and shall cover both tariff and all non-tariff measures affecting trade in these products.

Contracting Parties recognize the importance of trade in tropical products to a large number of less-developed contracting parties and agree that negotiations in this area shall receive special attention, including the timing of the negotiations and the implementation of the results as provided for in B (ii).

Natural-resource-based products

Negotiations shall aim to achieve the fullest liberalization of trade in natural-resource-based products, including in their processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation.

Textiles and clothing

Negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade.

Agriculture

Contracting Parties agree that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets.

Negotiations shall aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines, taking into account the general principles governing the negotiations, by:

- (i) improving market access through, *inter alia*, the reduction of import barriers;
- (ii) improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade, including the phased reduction of their negative effects and dealing with their causes;

- (iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements.

In order to achieve the above objectives, the negotiating group having primary responsibility for all aspects of agriculture will use the Recommendations adopted by the Contracting Parties at their 40th session, which were developed in accordance with the GATT 1982 ministerial programme and take account of the approaches suggested in the work of the Committee on Trade in Agriculture without prejudice to other alternatives that might achieve the objectives of the negotiations.

GATT articles

Participants shall review existing GATT articles, provisions and disciplines as requested by interested contracting parties, and, as appropriate, undertake negotiations.

Safeguards

- (i) A comprehensive agreement on safeguards is of particular importance to the strengthening of the GATT system and to progress in the MTNs.

- (ii) The agreement on safeguards:

- shall be based on the basic principles of the General Agreement;
- shall contain, *inter alia*, the following elements: transparency, coverage, objective criteria for action including the concept of serious injury or threat thereof, temporary nature, degressivity and structural adjustment, compensation and retaliation, notifications, consultation, multilateral surveillance and dispute settlement; and
- shall clarify and reinforce the disciplines of the General Agreement and should apply to all contracting parties.

MTN agreements and arrangements

Negotiations shall aim to improve, clarify, or expand, as appropriate, agreements and arrangements negotiated in the Tokyo Round of multilateral negotiations.

Subsidies and countervailing measures

Negotiations on subsidies and countervailing measures shall be based on a review of Articles VI and XVI and the MTN agreement on subsidies

and countervailing measures with the objective of improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. A negotiating group will be established to deal with these issues.

Dispute settlement

In order to ensure prompt and effective resolution of disputes to the benefit of all contracting parties, negotiations shall aim to improve and strengthen the rules and the procedures of the dispute settlement process, while recognizing the contribution that would be made by more effective and enforceable GATT rules and disciplines. Negotiations shall include the development of adequate arrangements for overseeing and monitoring of the procedures that would facilitate compliance with adopted recommendations.

Trade-related aspects of intellectual property rights, including trade in counterfeit goods

In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

Trade-related investment measures

Following an examination of the operation of GATT articles related to the trade restrictive and distorting effects of investment measures, negotiations should elaborate, as appropriate, further provisions that may be necessary to avoid such adverse effects on trade.

E. Functioning of the GATT system

Negotiations shall aim to develop understandings and arrangements:

(i) to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system;

(ii) to improve the overall effectiveness and decision-making of the GATT as an institution, including, *inter alia*, through involvement of Ministers;

(iii) to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters.

F. Participation

(a) Negotiations will be open to:

(1) all contracting parties;

(2) countries having acceded provisionally;

(3) countries applying the GATT on a *de facto* basis having announced, not later than 30 April 1987, their intention to accede to the GATT and to participate in the negotiations;

(4) countries that have already informed the Contracting Parties, at a regular meeting of the Council of Representatives, of their intention to negotiate the terms of their membership as a contracting party; and

(5) developing countries that have, by 30 April 1987, initiated procedures for accession to the GATT, with the intention of negotiating the terms of their accession during the course of the negotiations.

(b) Participation in negotiations relating to the amendment or application of GATT provisions or the negotiation of new provisions will, however, be open only to contracting parties.

G. Organization of the negotiations

A Group of Negotiations on Goods (GNG) is established to carry out the programme of negotiations contained in this part of the Declaration. The GNG shall, *inter alia*:

(i) elaborate and put into effect detailed trade negotiating plans prior to 19 December 1986;

(ii) designate the appropriate mechanism for surveillance of commitments to standstill and roll-back;

(iii) establish negotiating groups as required. Because of the interrelationship of some issues and taking fully into account the general principles governing the negotiations as stated in B (iii) above

It is recognized that aspects of one issue may be discussed in more than one negotiating group. Therefore each negotiating group should as required take into account relevant aspects emerging in other groups;

(iv) also decide upon inclusion of additional subject matters in the negotiations;

(v) coordinate the work of the negotiating groups and supervise the progress of the negotiations. As a guideline not more than two negotiating groups should meet at the same time;

(vi) the GNG shall report to the Trade Negotiations Committee.

In order to ensure effective application of differential and more favourable treatment the GNG shall, before the formal completion of the negotiations, conduct an evaluation of the results attained therein in terms of the objectives and the general principles governing negotiations as set out in the Declaration, taking into account all issues of interest to less-developed contracting parties.

Part II

Negotiations on trade in services

Ministers, also decided, as part of the multilateral trade negotiations, to launch negotiations on trade in services.

Negotiations in this area shall aim to establish a multilateral framework of principles and rules for trade in services, including elaboration of possible disciplines for individual sectors, with a view to expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting economic growth of all trading partners and the development of developing countries. Such framework shall respect the policy objectives of national laws and regulations applying to services and shall take into account the work of relevant international organizations.

GATT procedures and practices shall apply to these negotiations. A Group on Negotiations on Services is established to deal with these matters. Participation in the negotiations under this part of the Declaration will be open to the same countries as under Part I. GATT secretariat support will be provided, with technical support from other organizations as decided by the Group on Negotiations on Services.

The Group on Negotiations on Services shall report to the Trade Negotiations Committee.

Implementation of results under Parts I and II

When the results of the multilateral trade negotiations in all areas have been established, ministers meeting also on the occasion of a special session of contracting parties shall decide regarding the international implementation of the respective results.