

# INFORMATION

EXTERNAL RELATIONS

REVIEW OF THE GATT MULTILATERAL TRADE NEGOTIATIONS.  
THE SITUATION UP TO 1 FEBRUARY 1978

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INTRODUCTION : Launched in Tokyo in September 1973, the GATT Multilateral Trade Negotiations (MTN's) did not get underway until February 1975 (see Annex I for a historical-summary), after the adoption of the Trade Act giving the United States government a negotiating mandate.

At the London Western summit in May 1977, the assembled Heads of State gave a new impulsion to the MTN's and emphasised their desire to see tangible progress within the year. "It was important to react to the threat of protectionism by giving a push towards a successful outcome. The continuing economic difficulties make it even more essential to achieve the objectives of the Tokyo Declaration and to negotiate a comprehensive set of agreements to the maximum benefit of all," declared Mr. Roy Jenkins, President of the Commission of the European Communities.

According to the timetable established, all elements of the negotiation must be delimited and identified by mid-January 1978. On the basis of these elements (the "working hypotheses"), participants will go forward to substantive negotiations (see Annex II - stages of negotiation), which precedes the final phase in which a balance of concessions is sought (the second half of 1978).

The EEC has formally presented on 20 January 1978 its offers in Geneva for the tariffs, agriculture and non-tariff sectors of the Multilateral Trade Negotiations. These offers follow the decision of the Council of Ministers on 17 January 1978 that the Community should enter the substantive phase of the GATT Trade Negotiations.

The negotiations form one undertaking, all the elements of which must move ahead together. The Tokyo Declaration, the "charter" on the basis of which negotiations are conducted, affirms this global approach; it clearly states that participants must endeavour to achieve an overall, balanced package of concessions at the same time as obtaining the highest degree of trade liberalisation. So, it is on the basis of the whole range of working hypotheses that have been put forward - certain elements of which remain to be finalised - that substantive negotiations will now take place.

The Tokyo Declaration contains the following objectives, amongst others, for the current round of negotiations :

- a) conduct negotiations on tariffs by employment of appropriate formulae of as general application as possible;
- b) reduce or eliminate non-tariff measures or, where this is not appropriate, to reduce or eliminate their trade restricting or distorting effects, and to bring such measures under more effective international discipline;
- c) include an examination of the possibilities for the coordinated reduction or elimination of all barriers to trade in selected sectors as a complementary technique;
- d) include an examination of the adequacy of the multilateral safeguard system, considering particularly the modalities of application of Article XIX, with a view to furthering trade liberalisation and preserving its results;
- e) include, as regards agriculture, an approach to negotiations which, while in line with the general objectives of the negotiations, should take account of the special characteristics and problems in this sector;
- f) treat tropical products as a special and priority sector.

The Trade Negotiations Committee (TNC) based the negotiating structure of the Tokyo Round on this enumeration of aims. In addition in November 1976 it created a new negotiating unit, the "Framework Group" charged with improving GATT's legal framework to help developing countries.

#### I. Tariff Negotiations:

1) The lowering of customs tariffs remains an important aspect of the current negotiations, despite considerable progress made during previous rounds (in particular the Dillon and Kennedy Rounds). Indeed, while the average level of customs tariffs is in general moderate various countries still have customs duties which constitute a serious obstacle to free trade in the sense that they give selective and differentiated protection to certain products.

2) The tariff positions of the MTN partners remain very different

a) At the level of tariff structures:

- The European Community has a homogeneous customs tariff as a result of its development process. On more than half its MFN imports, there is no duty at all and where there are, tariff levels are largely concentrated between 5 and 10 per cent (30 per cent of total duties).

There are hardly any duties higher than 20 per cent.

- On the contrary, tariff structures such as those of the U.S., Canada, Australia, while containing a fairly large number of low or zero duties also contain quite a high proportion of high tariffs with high 'points' exceeding 50% in some cases.

b) At the level of the degree of tariff binding (1):

- The European Community and the United States have a high degree of binding (90-100%)

- Other developed countries such as Canada, New Zealand, and in particular Australia have a lower degree of consolidation, which is of the order of 20% of total imports in certain cases. Among the developing countries, only a certain number of them have bound some of their tariffs.

This state of affairs creates an imbalance as far as the obligations of the partners are concerned. Therefore it is natural that this too should form part of the tariff negotiation.

3) Towards the harmonisation of tariff disparities

The European Community's fundamental aim in the tariff negotiations is to reduce the significant disparities that exist between high and low duties (harmonisation), in order to achieve a more balanced situation.

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(1) A bound customs duty is one that has been included in a list annexed to the GATT. An increase is only allowed after negotiation with countries affected, and usually involves compensation. Conversely, an unbound customs duty can be raised at any time, without notification or compensation.

Several tariff reduction formulae were proposed during 1976. The Swiss formula  $Z = \frac{ax}{x+a}$  (1) was finally chosen as the working

hypothesis by the U.S. and the EEC in September 1977 and Japan subsequently agreed to it. This formula has a harmonising effect : the higher the original duties, the greater are the tariff reductions.

It also allows for more or less important tariff reductions, depending upon the chosen "a" coefficient (2).

The Community is ready to begin negotiations on the reduction of tariffs for industrial products by the application of the swiss formula. It agrees initially to use a coefficient of 16 (which theoretically would produce an average weighted reduction in tariffs of about 40 per cent).

In making this initial offer, the Community emphasizes that the final size of the tariff reductions to be implemented will only be known at the end of the negotiations. In addition the Community lays down that the tariff cuts be spread over eight years and that there should be two stages for implementing the cuts. After the first five annual reductions, the Community will examine the general possibility of passing to the second stage of three further tariff cuts.

The Community reserves the right to assess the qualitative and quantitative aspects of the offers which its developed partners will make and to make any necessary adjustments in its own offer. The Community does not intend, however, to compensate for any eventual exceptions it may, as a consequence, have to make.

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(1) In this formula, Z represents the level of duty after reduction, 'x' the initial duty and 'a' the coefficient which must be determined.

(2) The greater the 'a' coefficient, the less the tariff reduction. For example, supposing an original duty of 10 per cent, that is a = 10, the formula gives the following result :

$$z = \frac{10 \times 10}{10 + 10} = \frac{100}{20} = 5 \text{ (final duty)}$$

With the same original duty, but in which, a = 12 :

$$z = \frac{10 \times 12}{10 + 12} = \frac{120}{22} = 5,5 \text{ (rounded figure)}$$

$$a = 14, \quad z = \frac{10 \times 14}{10 + 14} = \frac{140}{24} = 6 \text{ (rounded figure)}$$

$$a = 30, \quad z = \frac{10 \times 30}{10 + 30} = \frac{300}{40} = 7,5 \text{ etc.....}$$

- The problem of exceptions :

Already it is known that an important part of United States trade will be excepted from the formula; these are the "mandatory exceptions" written into the Trade Act by Congress for reasons of national security (oil based products) or as a result of application of safeguard clauses (specialty steels, colour Televisions, shoes, certain cheap ceramic products, ball bearings, etc...).

American negotiators have proposed compensating these statutory exceptions and other possible exceptions by greater reductions on other products. This is the "no net exceptions" principle.

The European Community, like most of its partners, does not favour this proposal. They feel it may imbalance the negotiations and dilute the harmonising effect of the formula. For its part, the Community has made it clear, in conformity with the Tokyo Declaration and its own negotiating directives, that exceptions must be kept to a minimum.

- The formula's area of application :

It has been agreed that the tariff negotiating scheme will only apply to industrial goods. For agricultural products, tariff reductions will be achieved through the requests and offers procedure (1). Lists of requests were submitted in November 1977. The major part of participants began to submit their offers by mid-January 1978.

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(1) As is further elaborated under the "Agriculture" heading, the Community distinguishes between products suitable for inclusion in a multilateral arrangement (cereals, meat, dairy products) and other agricultural products. The Community argues that only the latter should be open to the requests and offers procedure.

## II. Non-tariff obstacles to trade:

Past GATT negotiations have been overwhelmingly concerned with the reduction of customs duties (1).

But while tariff barriers have been reduced, the relative importance of non-tariff measures has increased. In addition, the growing intervention of the State in economic life has brought about the more frequent appearance of new measures (for example sanitary specifications, environmental measures) which can indirectly hamper international trade.

In a catalogue drawn up on the basis of notifications, the GATT Secretariat has recorded more than 800 different non-tariff measures, applied by various participants. Participants in the MTN's decided to concentrate their efforts on the most glaring problem areas: quantitative restrictions, technical barriers, various customs questions, countervailing duties and subsidies. Certain measures are widely applied and concern a large number of countries. Thus, participants have looked for wide ranging solutions. Draft Codes have been prepared for technical barriers, customs valuation, government procurement and countervailing duties and subsidies.

Other measures, on the contrary, only exist in a certain number of countries and are the object of specific requests and offers.

### A) Draft Codes:

#### 1) Customs valuation:

The way merchandises is valued for the purpose of levying duty is the main customs problem dealt with in the current round of negotiations(2).

##### - Multiplicity of existing systems

At the moment, certain countries have a system of customs valuation based to a greater or lesser extent on the system of the Brussels Convention on Valuation (3).

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- (1) In fact, in addition to the tariff reductions achieved, the Kennedy Round (1963-1967) resulted in two limited agreements on non-tariff measures:
    - the Anti-Dumping Code, elaborating the rules contained in Article VI of the GATT, but which in the eyes of the EEC and some of its partners has only been incompletely applied by some signatories to it.
    - the suppression of the American Selling Price (ASP) which was never ratified by the U.S. Congress.
  - (2) Other customs questions, (for example requirements concerning import documentation), concern a limited number of countries; they are for this reason, subject to the request and offer procedure agreed for non-tariff measures.
  - (3) Elaborated in 1950 by the Council of Customs Cooperation, based in Brussels, the Convention on Customs Valuation fixes a series of criteria for the calculation of value. 30 countries (the EEC included) are members of the Convention and a further 70 respect its provisions.

However, some important trading nations (notably the USA, Canada, South Africa and New Zealand) have their own system, completely different from that of their partners. The United States in particular has an extremely complex valuation system (1), which generates uncertainty and constitutes an obstacle to commerce. Some valuation methods of this system, in particular the American Selling Price (ASP) (2), are contrary to generally accepted GATT rules (3).

During the Kennedy Round, the United States' partners requested the abolition of the ASP, but Congress has so far refused; the ASP remains in force.

The Canadian system, based in part on the "fair commercial value" is similarly open to criticism.

The Community proposed a draft Code for the implementation of Article VII of the GATT, which contains a series of guiding principles on customs valuation.

This Code seeks to establish a uniform international system based on a "positive" definition of value (4), thus reducing considerably the arbitrary elements and restrictive effects inherent in the present systems. This draft has been accepted as a basis for negotiation by several of the Community partners.

## 2) Government procurement:

Purchases by government and the public sector represent an increasingly large proportion of total trade.

The GATT Multilateral Trade Negotiations aim to establish the principle of equality of treatment for foreign and national suppliers, indeed to put it into effect through the institution of adequate procedures. To this end, participants have elaborated an "integrated draft Code" which synthesises the work done within the OECD on this question and the discussions that have been held within the GATT "Government procurement" sub-group.

The draft is largely based on propositions made jointly by the Nordic countries, Canada and the EEC.

It recommends the institution of international procedures of notification, consultation, surveillance and dispute settlement, to ensure greater transparency in the procedures for the award of contracts (5). Notably, it lays down the criteria as to qualifications and the terms for suppliers and appeal procedures designed to eliminate discrimination.

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(1) Methods for the calculation of value vary according to the type of goods. There are nine different possible ways of calculating the value of goods.

(2) The ASP applies in particular to certain products of organic chemistry.

(3) Article VII of the GATT prohibits the use of the price of domestic goods as the basis for calculating customs valuation.

(4) A "positive" definition is based on objective criteria for the determination of value.

(5) The draft aims, in particular, to improve understanding of the various national laws, regulations, procedures and practices concerning government procurement, through adequate publicity before, during and after the conclusion of the transaction.

Various problems still have to be resolved:

- the Code does not settle the question of the definition of the purchasing entities subject to the above mentioned disciplines and the degree of commitment assured by centralised States, on the one hand, and federal States on the other.
- the degree of "transparency" deemed necessary has still to be determined (detailed publication of procurement decisions or simple information to other signatories in the case of complaint).

3) Subsidies and countervailing duties:

This is one of the most difficult questions of the negotiation. It has produced a series of squabbles. The problem for the MTN is to define subsidies and conditions for the application of countervailing duties.

The GATT does not prohibit in a general way the use of subsidies (1). It provides simply for their control by means of notification and consultation where need be. Nevertheless, for certain countries which accepted it, the 1970 Declaration contains the obligation, subject to certain conditions, not to apply export subsidies.

In addition if the subsidy causes or threatens to cause serious injury to producers of the importing country, a countervailing duty equivalent to the amount of the subsidy may be levied by the importing country. The main problem in this sector stems from the fact that the United States has legislation on countervailing duties which does not conform to Article VI of the GATT. Any export subsidy, even if it causes no injury nor risks doing so, is open to countervailing duties. The United States partners are insistent that the U.S. bring its legislation on countervailing duties into line with GATT rules.

For their part, the United States want to see certain subsidies eliminated altogether. In addition, they want the list of subsidies covered by GATT disciplines widened to include both domestic subsidies (even where they are essentially regional), and other internal aids (for example measures tending to encourage national production at the expense of imports).

The United States and the Community have discussed the question at great length in the hope of finding common ground.

An "Outline of discussion", on subsidies and countervailing duties which envisages starting from existing GATT rules and procedures in an attempt to improve their efficiency, is among the negotiating documents. This outline recognises that while certain subsidies can help fulfil the objectives of national policy, they can equally cause or threaten to cause serious injury to the commercial interests of other contracting parties. Thus, it is necessary to avoid the implementation of subsidies likely to cause injury to others.

As far as countervailing duties are concerned the criteria for injury have yet to be established, and their application would have to be examined in depth.

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(1) Subsidies are governed by Article XVI of the GATT.

4) Technical barriers to trade :

Standards, technical regulations and quality controls to which producers must conform and which can seriously impede international trade, exist in increasing number and variety from country to country. A variety of organisations (1) have as their objective the harmonisation of national standards and the drafting of international standards. But every country is free to choose whether to adhere to these standards or not, so much so that there still exist substantial differences among national standards and technical regulations.

The MTN's have two main objectives in this sector :

- to promote the harmonisation of existing national standards by recommending the adoption by the participating countries, where possible, of the standards drawn up by international organisations,
- to avoid the creation of obstacles to trade by means of new regulations.

The draft Standards Code, drawn up with these objectives in mind, places its main emphasis on the establishment of a procedure for international cooperation; it provides for notification and consultation procedures, recognition of certificates of conformity and dispute settlement procedures.

Nevertheless, certain fundamental questions have not yet been resolved :

- the level of obligations to be undertaken by the federal governments in regard to provincial authorities or states. The Community is very aware of this risk of imbalance in the obligations to be undertaken by signatories of the code.
- the question whether the Code can be applied to agricultural products, taking account of the specific nature of technical regulations in this field (2)

5) Import licence regimes :

There are two types of import licence :

- licences applied in administering quantitative restrictions (3) where grant of the licence is dependant on the amount of imports authorised.
- "automatic" licences, which in principle constitute simple administrative formalities.

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(1) In particular ISO (International Standardisation Organisation) and the European Standards Committee

(2) In particular sanitary and phytosanitary regulations

(3) On quantitative restrictions, see below, point B-1

These two types of licence may give rise to decisions of an arbitrary character (the importer is not informed of the conditions under which a licence may be granted, nor of the reasons for refusal of a licence, nor even of the administrative decision) and cause considerable delays and additional costs in the process of importation.

On the basis of discussion in the Sub-group "Quantitative restrictions", which also deals with import licensing, the GATT Secretariat has established two preliminary draft texts aiming to eliminate arbitrary practices and administrative delays in the administration of the two types of import licensing regime mentioned above. The aim of these drafts is to ensure a degree of transparency of administrative procedures.

B) Non-tariff measures subject to specific requests :

1) Quantitative restrictions on imports :

In accordance with Article XI of the GATT which provides for general elimination of existing quantitative restrictions (QR), a substantial number of these, based principally on balance of payments difficulties, have been gradually eliminated.

The restrictions still in force essentially concern a limited number of countries. In the case of the European Community, certain member States still apply a limited number of QR's in regard to certain countries.

The objectives of the MTN's in this sector is to eliminate these restrictions or enlarge existing import quotas, by means of specific requests and offers.

The Community has received requests from about 20 countries on tariff positions wholly or partly subject to restriction in one or more of the member states. The European Community is prepared to offer the immediate of progressive liberalisation of 33 of these tariff positions during the MTN (subject to agreement with certain participants on satisfactory conditions for such liberalisation and subject to achieving an adequate balance of mutual advantages in the MTN).

2) Other non-tariff measures :

Certain other customs matters other than customs valuation have also been the subject of specific requests.

They concern problems of tariff classification, the harmonisation and simplification of requirements for import documentation (in particular consular formalities) and the elimination of certain vexatious requirements and delays in the processing of specific cases.

As regards customs matters other than customs valuation the Community proposes, given the highly technical nature of many of the requests,

particularly relating to tariff classification, that discussions should begin between the participants mainly concerned with a view to identifying solutions to problems in this area on the basis of mutual advantage.

As regards other non-tariff measures, the Community is ready to pursue discussions on these matters with the participants mainly interested to see whether possibilities exist for a negotiation on the basis of reciprocity.

### III. The Negotiations on Agriculture :

In accordance with the Tokyo Declaration, the negotiations on agriculture should be conducted in a way which conforms with the general objectives of the MTNs, while taking account of the special characteristics and problems of the agricultural sector.

Agricultural production is subject to a certain inherent instability; unlike industrial production where adjustments between supply and demand can come about with relatively short delays, agricultural production on the other hand is characterised by longer cycles and a certain rigidity in the mechanism of adjustment. For this reason world agricultural markets pass through successive phases of over-production and shortage.

An improvement in the provision of information between producing and consuming countries, in regard to foreseeable development of supply and demand, is essential to harmonious development and expansion of the market. Without this, liberalisation of access to foreign markets can only be precarious, as it is sufficient that there be a crisis of over-production in the world to ensure that the markets of producing countries be closed, or that there be a severe shortage for export restrictions to be introduced in countries which are traditional exporters.

Conscious of the need to go to the root of the problem the European Communities have made an important contribution in the MTNs in the search for multilateral solutions which would reduce the excessive fluctuation of three important markets : cereals, dairy products, meat products (in particular bovine meat), in which the Communities have an interest both as exporter and importer. For other agricultural products, which concern a less important volume of trade and a smaller number of countries, the negotiations are proceeding on the basis of a specific request and offer procedure similar to the one which was established for those non-tariff measures which are not subject to codes of conduct.

#### A) Progress in negotiating international agreements :

Three sub-groups were created to conduct negotiations in the cereals, dairy products and meat products sectors.

1) Cereals :

The negotiations concern the main cereals (wheat, maize, barley and sorghum).

After an exchange of views on the problems of stabilisation and liberalisation of this market, as well as the treatment to be accorded to developing countries, which are on the whole heavily dependent on imports for their supply, the work of the sub-group was temporarily halted while awaiting the results of the United Nations Conference which will meet in Geneva from 13 February next to negotiate a new Arrangement.

When the time comes, the sub-group will then study how to integrate the work of the conference with its own.

2) Dairy Products and Meat Products :

On the basis of proposals of the EEC and New Zealand (for dairy products), and of the EEC and Australia (meat products), draft international agreements have been drawn up for these product sectors. These draft agreements constitute in principle the working hypotheses of MTN participants in these sectors, but the United States seems to retain a certain reticence in engaging itself on this basis in regard to dairy products.

The drafts contain a general provision for information and consultation; they also provide for insertion in the Agreement of certain limited arrangements existing at present (subject to re-negotiation of certain elements contained therein - coverage, prices and obligations relating thereto, derogation clauses, food aid). Finally, common disciplines are proposed for products which, like cheese and meat, are not very homogeneous and for which it is difficult to find general solutions.

B) Specific requests and offers in the agricultural field :

Group "Agriculture" initially set in motion a process of examination, information and dialogue on all the tariff and non-tariff measures which concern products other than those covered by the three sub-groups (cereals, dairy products, meat products).

Notifications and consultations took place between the countries concerned and this procedure has resulted and will result in the submission of lists of requests (from 1 November, 1977) and to offers (from 15 January, 1978).

- 1) For its own part the Communities have addressed requests to six developed countries (USA, Canada, Japan, Australia, South Africa and New Zealand), five socialist countries and twenty-six developing countries (principally of Central and Latin America and Asia).

The tariff reductions which the Communities would wish to obtain from developed countries are of the order of 25 to 50 %.

In regard to non-tariff measures, the Communities have, for example, requested the United States to bring its legislation on countervailing duties into conformity with the rules of the GATT (c.f. chapter "Subsidies and Countervailing Duties" of this note), as well as elimination of the discriminatory effects of the "Wine Gallon Assessment" method.

In addition, the Community recalls the importance which they attach to the work on standards and technical regulations(1), certain provisions of which (protection of appellations of origin for example) could be applied to agricultural products.

The Community received agricultural requests from 31 countries (4 Eastern European countries, 9 developed countries and 18 developing countries) concerning tariff and non-tariff measures (2) covering a fairly large range of products, including those covered by the sub-groups (cereals, dairy products, meat products).

- 2) The Community's offer of concessions for agricultural products other than those being dealt with multilaterally such as grains, meat and dairy products, consists in tariff reductions and new tariff bindings to apply to about 100 products. These include horse meat, edible offals, plants, vegetables, fruits, sauces and bourbon whisky.  
The Community offer of tariff reductions and bindings covers imports of about 1.000 million european units of account (EUR). (3)

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(1) Cf. Chapter on "Technical Barriers" of this note

(2) In particular technical barriers to trade, such as sanitary and phytosanitary measures.

(3) In global terms, the Community's offer in the agricultural sector is not, of course, limited to the above list.  
If one takes into account the Community's participation in the negotiations on a multilateral basis for international agreements in grains, dairy products, meat and rice, the offer on agricultural products would amount to about 5 thousand million EUR on the basis of the 1976 imports. In addition to this, the tropical products offer of the Community would account for about 2.4 thousand million EUR, an offer which is being implemented without reciprocity since January 1977.

It is perhaps worth recalling that in previous negotiations the Community agreed to bind tariffs on agricultural products, the imports of which totalled about 16 thousand million EUR. Of this volume, about 4.4 thousand million EUR concerned products for which the tariff rate was bound at zero.

IV. Improvement of the international safeguard system :

The Tokyo Declaration provides that the MTN shall include an examination of the degree of satisfactoriness of the multilateral safeguard system (1) in order to facilitate liberalisation of trade and to secure its results.

In fact, several countries, among them the European Community, consider that improvement of the international safeguard system constitutes, given the difficult economic situation in which the majority of countries find themselves, a precondition for an increased liberalisation of trade.

This is all the more so since the present safeguard system, as presently formulated in Article XIX of the GATT, has not functioned in a very satisfactory way up to now.

In fact, the safeguard clause of Article XIX authorises Contracting Parties of the GATT to take emergency measures to limit the imports of particular products when they cause or threaten to cause serious injury to national producers. While apparently liberal, Article XIX limits the freedom of action of governments in two ways :

- on the one hand, because safeguard measures must usually be applied against all suppliers, without distinction between those who are responsible for injury and those who are not;
- on the other hand, by providing for a right to compensation for affected suppliers, even when all the conditions of Article XIX are fulfilled.

The existing safeguard clause thus constitutes a non-selective instrument which is awkward in its use.

It is not surprising that many countries have hesitated to resort to Article XIX to justify emergency measures and have preferred to resort to other less restrictive methods or to seek ways of solving their problems by new solutions which are not provided for in the GATT. One has thus assisted at the development of "voluntary" autolimitation arrangements concluded between countries/firms which are suppliers and their clients. Some of these agreements are also known as "Orderly Marketing Agreements" (OMA).

Two different proposals have been made. One supports selective application of safeguard measures, while proposing to compensate this softening of the rules by the creation of an international surveillance body which would have the task of avoiding abusive resort to selective measures.

The other supports the maintenance of the present safeguard system, in particular in regard to the general application of safeguard measures; an international surveillance body would be created to insure an equitable application of the GATT rules.

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(1) The international safeguard system, based on Article XIX of the GATT, authorises parties to derogate from the rules of the GATT regarding freedom of trade in certain exceptional conditions.

V. Sectoral approach :

According to the Tokyo Declaration, the negotiations should comprise, as a complementary technique, an examination of the possibilities of coordinated reduction or elimination of all obstacles to trade in certain specific sectors.

Canada is one of the principal defenders of the sectoral approach. It would like to see entire production sectors where it feels particularly competitive (such as wood products and their derivatives, certain minerals and metals liberalised at all stages of production.

The GATT Secretariat prepared a series of studies on products of interest to one or other partner.

When the time comes, the participants in the negotiations will be able to examine the possibilities of increased liberalisation in certain sectors which this technique of the sectoral approach offers.

VI. Tropical products :

Negotiations in this sector were completed in spring 1976. With the exception of the USA, all developed countries which made concessions on tropical products, which constitutes a priority sector for developing countries, implemented those concessions on the 1st January 1977.

VII. Taking account of the particular interests of developing countries :

The Tokyo declaration provides that the MTN's should ensure differential and more favourable treatment for developing countries wherever that is possible and desirable.

It was agreed in summer 1977 that the practical means of implementing this treatment would be decided on after the procedures of general application.

The possibilities of granting such treatment have already been the subject of discussions in all sectors of the negotiations and several concrete proposals on the granting of such treatment have been made in particular by the Community.

Furthermore, negotiations are underway improving the international framework governing trade of developing countries. The object of these negotiations is in particular to give a stable juridical base to the special and differential treatment given on the course of the MTN's to developing countries.

HISTORICAL SUMMARY

September 1973	Tokyo Declaration
February 1975	First meeting of the Trade Negotiation Committee
October 1975	LDC's present their list of requests on tropical products to developed countries
March 1976	Submission of offers by developed countries (tropical products)
November 1976	Creation of sub-group "Government procurement" and the "Framework" group
January 1977	Coming into force of offers by developed countries on tropical products
May 1977	Western Summit in Downing Street, in course of which Heads of State agree to give new impulsion to the MTN's
July 1977	Visit by Mr. Robert Strauss to the Commission of the European Communities. Restarting of the Agriculture and Non-Tariff negotiations in the GATT - Drawing up of a calendar
November 1977	Submission of lists of agricultural and non-tariff requests
January 1978	Submission of lists of agricultural and non-tariff offers

TOKYO ROUND TIMETABLEThe different stages of negotiations - towards the fourth phase -

The GATT Multilateral Trade Negotiations currently underway follow a logical sequence, split up into various stages.

These stages are as follows :

- 1st stage : Identification of fields of negotiation; creation of negotiating machinery; determination of participants' objectives sector by sector.
- 2nd stage : Choice of working methods for the different working groups (eg a bilateral or plurilateral approach based on lists of requests and offers; the multilateral approach based on codes of conduct, interpretative rules and international agreements; tariff reduction, etc.)
- The working out of negotiating rules and procedures for each one of these working methods.
- 3rd stage : Drawing up "working hypotheses" (plan for tariff reduction; schemes for a code or agreement; lists of requests and offers, etc.)
- 4th stage : Effective negotiation : evaluation of offers; examination of possibilities for their improvement or reconciliation of differences within the proposed rules, etc.
- 5th stage : Seeking a balancing with a view to overall reciprocity, the establishment of a politically acceptable final package.

At the moment, the Multilateral Trade Negotiations (MTN's) are about to enter the Fourth stage, that of effective negotiation.

DECLARATION OF MINISTERS

APPROVED AT TOKYO ON 14 SEPTEMBER 1973

1. The Ministers, having considered the report of the Preparatory Committee for the Trade Negotiations and having noted that a number of governments have decided to enter into comprehensive multilateral trade negotiations in the framework of GATT and that other governments have indicated their intention to make a decision as soon as possible, declare the negotiations officially open. Those governments which have decided to negotiate have notified the Director-General of GATT to this effect, and the Ministers agree that it will be open to any other government, through a notification to the Director-General, to participate in the negotiations. The Ministers hope that the negotiations will involve the active participation of as many countries as possible. They expect the negotiations to be engaged effectively as rapidly as possible, and that, to that end, the governments concerned will have such authority as may be required.
2. The negotiations shall aim to :
  - achieve the expansion and ever-greater liberalisation of world trade and improvement in the standard of living and welfare of the people of the world, objectives which can be achieved, inter alia, through the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade.
  - secure additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, the acceleration of the rate of growth of their trade, taking into account their development needs, an improvement in the possibilities for these countries to participate in the expansion of world trade and a better balance as between developed and developing countries in the sharing of the advantages resulting from this expansion, through, in the largest possible measure, a substantial improvement in the conditions of access for the products of interest to the developing countries and, wherever appropriate, measures designed to attain stable, equitable and remunerative prices for primary products.

To this end, co-ordinated efforts shall be made to solve in an equitable way the trade problems of all participating countries, taking into account the specific trade problems of the developing countries.

3. To this end the negotiations should aim, inter alia, to :
  - a) conduct negotiations on tariffs by employment of appropriate formulae of as general application as possible;
  - b) reduce or eliminate non-tariff measures or, where this is not appropriate, to reduce or eliminate their trade restricting or distorting effects, and to bring such measures under more effective international discipline;
  - c) include an examination of the possibilities for the co-ordinated reduction or elimination of all barriers to trade in selected sectors as a complementary technique;

- d) include an examination of the adequacy of the multilateral safeguard system, considering particularly the modalities of application of Article XIX, with a view to furthering trade liberalisation and preserving its results;
  - e) include, as regards agriculture, an approach to negotiations which, while in line with the general objectives of the negotiations, should take account of the special characteristics and problems in this sector;
  - f) treat tropical products as a special and priority sector.
4. The negotiations shall cover tariffs, non-tariff barriers and other measures which impede or distort international trade in both industrial and agricultural products, including tropical products and raw materials, whether in primary form or at any stage of processing including in particular products of export interest to developing countries and measures affecting their exports.
  5. The negotiations shall be conducted on the basis of the principles of mutual advantage, mutual commitment and overall reciprocity, while observing the most-favoured-nation clause, and consistently with the provisions of the General Agreement relating to such negotiations. Participants shall jointly endeavour in the negotiations to achieve, by appropriate methods, an overall balance of advantage at the highest possible level. The developed countries do not expect reciprocity for commitments made by them in the negotiations to reduce or remove tariff and other barriers to the trade of developing countries, i.e., the developed countries do not expect the developing countries, in the course of the trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. The Ministers recognize the need for special measures to be taken in the negotiations to assist the developing countries in their efforts to increase their export earnings and promote their economic development and, where appropriate, for priority attention to be given to products or areas of interest to developing countries. They also recognize the importance of maintaining and improving the Generalized System of Preferences. They further recognize the importance of the application of differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of the negotiation where this is feasible and appropriate.
  6. The Ministers recognize that the particular situation and problems of the least developed among the developing countries shall be given special attention to ensure that these countries receive special treatment in the context of any general or specific measures taken in favour of the developing countries during the tariff negotiations.
  7. The policy of liberalizing world trade cannot be carried out successfully in the absence of parallel efforts to set up a monetary system which shields the world economy from the shocks and imbalances which have previously occurred. The Ministers will not lose sight of the fact that the efforts which are to be made in the trade field imply continuing efforts to maintain orderly conditions and to establish a durable and equitable monetary system.

The Ministers recognize equally that the new phase in the liberalisation of trade which it is their intention to undertake should facilitate the orderly functioning of the monetary system.

The Ministers recognize that they should bear these considerations in mind both at the opening of and throughout the negotiations. Efforts in these two fields will thus be able to contribute effectively to an improvement of international economic relations, taking into account the special characteristics of the economies of the developing countries and their problems.

8. The negotiations shall be considered as one undertaking, the various elements of which shall move forward together.
9. Support is reaffirmed for the principles, rules and disciplines provided for under the General Agreement (1). Consideration shall be given to improvements in the international framework for the conduct of world trade which might be desirable in the light of progress in the negotiations and, in this endeavour, care shall be taken to ensure that any measures introduced as a result are consistent with the overall objectives and principles of the trade negotiations and particularly of trade liberalisation.
10. A Trade Negotiations Committee is established, with authority, taking into account the present Declaration, inter alia :
  - a. to elaborate and put into effect detailed trade negotiating plans and to establish appropriate negotiating procedures, including special procedures for the negotiations between developed and developing countries;
  - b. to supervise the progress of the negotiations.

The Trade Negotiations Committee shall be open to participating governments. (2)

The Trade Negotiations Committee shall hold its opening meeting not later than 1 November 1973.

11. The Ministers intend that the trade negotiations be concluded in 1975.

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1. This does not necessarily represent the views of representatives of countries not now parties to the General Agreement

2. Including the European Communities

"EXTERNAL RELATIONS" INFORMATION NOTES

Copies of the following Information Notes are still available, and may be obtained from:

General Directorate for Information  
Commission of the European Communities  
Rue de la Loi 200  
B-1049 Brussels (Belgium)

- 117/76 Mexico and the European Community
- 123/76 Pakistan and the European Community
- 128/76 The European Community and ASEAN
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