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Folder ID: 1104064

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THE WORLD BANK

Washington, D.C.

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GATT



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Volume 1



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File Title Liaison files: General Agreement on Tariffs and Trade (GATT) - Correspondence 01		Barcode No. 1104064		
Document Date April 30, 1991	Document Type Summary/Salient Points			
Correspondents / Participants				
Subject / Title 41st Meeting of the Development Committee Luncheon for Members of the Development Committee				
Exception(s) Information Restricted Under Separate Disclosure Regimes and Other Investigative Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Vlada Alekankina</td><td>Date 10/26/2011</td></tr></table>	Withdrawn by Vlada Alekankina	Date 10/26/2011
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CP-file GATT

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION / MIGA
OFFICE MEMORANDUM

DATE: 02 08 1991

TO: Ms. Linda Jean ~~McLaughlin~~

FROM: Jean Banchet, Director, Geneva Office

EXTENSION: 733 2120 / direct line: 86 200

SUBJECT: Uruguay Round.



1. I thought the attached note, and the press clipping relating to it, may amuse Mr. ~~Cougle~~.

2. Best regards.

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION / MIGA
OFFICE MEMORANDUM

DATE: 02 08 1991

TO: Trade Files

FROM: Jean Baneth, Director, Geneva Office



EXTENSION: 733 2120 / direct line: 86 200

SUBJECT: What is going on in the Uruguay round? and where?

1. The following item is reproduced in its entirety, from the Financial Times, August 1 1991, p. 1 col. 2:

"URUGUAY Round trade talks in Budapest are unlikely to finish this year, US officials fear, despite an offer from the European Commission to comply with a GATT ruling against its oilseed subsidies. The talks hinge on farm subsidy reductions.

2. This explains it all. The concerned US officials, under the impression that the talks are proceeding in Budapest, are sending all their instructions there. Not surprising, then, that negotiators in Geneva are not getting the message; nor that it is then not relayed to the EC Commission in Brussels - another European capital whose name, confusingly, begins with B.

cc. Trade Group.

FINANCIAL TIMES

Thursday August 1 1991

Rs210 Pakistan	Rs65
Sh4.30 Philippines	Pes40
L2200 Poland	Zl 15,000
JD1.20 Portugal	Esc175
Won 2000 Qatar	QR10.00
Fls. 500 S. Arabia	SRS.00
S\$1,000 Singapore	S\$4.10
LP400 Spain	Pta175
45 cents Sweden	SKr13
MDH10 Switz	SFr2.70
Fl 3.80 Thailand	Bht50
TLr115 Turkey	Dkr0.800
Dir1.20 UAE	Dhs.00

ES LIMITED 1991

Business Summary

US economy continues to show signs of recovery

THE US index of leading indicators rose 0.5 per cent in June - its fifth successive monthly increase - but new orders for factory goods were weaker than financial markets had expected, falling 1.4 per cent from May. The index was pushed-up by a lengthening of the average working week as industry expanded production. Page 12

JAPAN will limit exports of cars to the European Community to 1.23m a year until 1999, thus freezing them at about present levels. Relations will end after the Berlin agreement between the EC and Japan's Trade and Industry Minister, Eiichi Nakao.

URUGUAY Round trade talks in Budapest are unlikely to finish this year, US officials fear, despite an offer from the European Commission to comply with a Gatt ruling against its oilseed subsidies. The talks hinge on farm subsidy reductions. Earlier report, Page 6

TRANS World Airlines' financial restructuring plan, which requires its chairman, Carl

Pressure mounts on Israel as Moscow offers to restore relations

US and Soviets will co-sponsor Mideast talks

By Lionel Barber in Moscow, Victor Mallet in Jerusalem and Max Rodenbeck in Cairo

THE US and Soviet Union have agreed to co-sponsor a Middle East peace conference in October, a move which dramatically steps up pressure on Israel to agree to negotiations with Arab neighbours.

US president George Bush, declaring that "an historic opportunity must not be lost", said in Moscow yesterday that Mr James Baker, US secretary of state, would return to Jerusalem today to seek a clear response from Israel on participation in a regional conference which the two superpowers "are going to work to convene." The conference will be "designed to be general and multilateral."

The joint US-Soviet initiative is growing co-operation between

neighbours - including Egypt, Jordan, Syria and Lebanon - have accepted US proposals for a regional peace conference. But neither the Israeli government nor the Palestinians seemed prepared last night to waive their respective conditions for attending the proposed conference, and Mr Baker will find it difficult to break the deadlock.

Mr Baker's visit to Israel will be the first since the Middle East peace conference and the Gulf war in an attempt to solve the Arab-Israeli dispute.

Before it agrees to attend a conference, Israel wants US assurances that the Palestinians will be represented jointly with Jordan and that their delegates will have no connections to the Palestine Liberation Organisation.

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However, an aide to Mr Yitzhak Shamir, the prime minister, said an Israeli yes would depend "on the answers we'll hear from the Americans, on things they'll hear from us". Mr Moshe Katzav, the transport minister, said it was up to the Arab countries and the Palestinians not to "create a situation that would make it impossible to convene the conference".

Mr Shimon Peres, leader of the opposition Labour party, said Israel should agree to the conference. "I don't see the point in delaying," he said.



02/08/91

15:05

WORLD BANK GENEVA

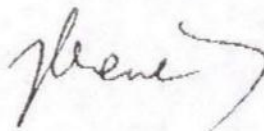
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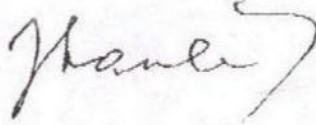
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L1,000 Singapore	S\$4.10
FR200 Spain	Pta175
SE2000 Sweden	SKr12
FR2000 Switzerland	Sfr2.70
FR 3.80 Thailand	Bt100
FR215 Turkey	Lira200
FR13.00 UAE	Dhs100

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Mr Shimon Peres, leader of the opposition Labour party, said Israel should agree to the conference. "I don't see the point in delaying," he said.



OFFICE MEMORANDUM

DATE: January 30, 1991

TO: Ms. Linda McLaughlin, EXC

FROM: Antonio M. Pimenta-Neves, LACSA

EXTENSION: 38722

SUBJECT: Mr. Conable's article on the Uruguay Round

Gazeta Mercantil, from Sao Paulo, Brazil, published Mr. Conable's article Friday, January 25, as requested. I chose Gazeta Mercantil because it is the best and the most respected business newspaper in the region. Their weekly newsletter in English circulates in the United States, Japan, and Europe. If there is time, the newsletter will also use Mr. Conable's article.

cc: Messrs. Shakow, Choksi, Quijano, Cullen

AT: Sr. Pimenta

A Rodada Uruguai e os países em desenvolvimento

Barber B. Conable *

O fracasso do mês passado em acertar regras para maior liberalização do comércio mundial é



perturbador. Isso é particularmente verdadeiro para a América Latina, onde tantos países recentemente partiram para reformas econômicas de grande alcance. A ausência de mercados internacionais abertos e funcionando bem ameaça solapar os benefícios desses programas de ajustamento.

A Rodada Uruguai de negociações comerciais multilaterais, mantida sob os auspícios do Acordo Geral de Tarifas e Comércio (GATT), é a maior, mais complexa e mais importante negociação comercial multilateral da História. O compromisso de mais de 100 países com essas negociações reconhece a valiosa contribuição que a liberalização do comércio deu ao crescimento econômico do mundo por mais de 40 anos.

Uma Rodada Uruguai bem-sucedida reduziria ainda mais as barreiras ao comércio, reintroduziria a disciplina onde essa tivesse fraquejado e adaptaria o sistema comercial às novas realidades econômicas internacionais. Uma Rodada Uruguai fracassada ameaçaria as perspectivas de crescimento e prosperidade em todo o mundo.

A responsabilidade primária pela conclusão bem-sucedida da Rodada Uruguai cabe claramente aos países industrializados. As agruras de muitos dos países em desenvolvimento, que lutam sob pesadas dividas, crises ambientais e po-

rica Latina. Embora elas sejam importantes para muitos países, é essencial que não sejam adotadas a custo do multilateralismo. Os arranjos regionais oferecem apenas soluções parciais para os problemas do comércio, e correm o risco de discriminar os países que não participam deles. Mais uma vez, eles não são substitutos para um sistema multilateral de comércio aberto, especialmente no mundo pós-Guerra Fria.

E mais, os arranjos regionais têm grande probabilidade de se mostrarem falhos se não forem embaçados por firme compromisso com um sistema multilateral de regras e disciplinas. Por todos esses motivos, o desafio fundamental que a comunidade internacional deve enfrentar continua a ser a conclusão bem-sucedida da Rodada Uruguai.

O movimento rumo a um comércio mais livre e mercados competitivos sem dúvida prejudicará alguns padrões de indústria e uso do trabalho em muitos países. As nações da América Latina, porém, estão seguindo adiante com seus programas de reforma na convicção de que não há outra forma de melhorar a produtividade e a eficiência e garantir o crescimento econômico.

Seria de fato irônico se, quando a América Latina está dando esses passos audaciosos, os países industrializados se afastarem de seu compromisso histórico com o multilateralismo e se recusarem a abaixar suas barreiras comerciais. Qualquer tendência rumo ao protecionismo aumentará as tensões internacionais e reduzirá as perspectivas de sucesso da economia mundial. Isso seria particularmente prejudicial no atual clima de desa-



Como elevar a conjuntura nacional

Eduardo José Gonçalves de Carvalho *

Uma conjuntura nacional difícil como a que vivemos, com uma inflação acoplada a uma recessão, que ameaça a estabilidade das instituições, exige que cada empresa se preocupe com sua produtividade.

O tema produtividade, portanto, merece nesta época de dificuldades econômicas uma atenção especial.

Trilhar essa via vai de-

derada no Programa de Qualidade e Produtividade apresentado pelo presidente da Nação.

Considero esse atualizado, pois do no conceito de produtividade é seqüência da maioria dos fatores: Tecnologia, que inclui as instalações e equipamentos; "out", a engenharia, o processo, o produto, o pessoal; e Pessoa, que inclui os fatores mentais e a motivação.

econômicas de grande alcance. A ausência de mercados internacionais abertos e funcionando bem ameaça solapar os benefícios desses programas de ajustamento.

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Uma Rodada Uruguaí bem-sucedida reduziria ainda mais as barreiras ao comércio, reintroduziria a disciplina onde essa tivesse fraquejado e adaptaria o sistema comercial às novas realidades econômicas internacionais. Uma Rodada Uruguaí fracassada ameaçaria as perspectivas de crescimento e prosperidade em todo o mundo.

A responsabilidade primária pela conclusão bem-sucedida da Rodada Uruguaí cabe claramente aos países industrializados. As agruras de muitos dos países em desenvolvimento, que lutam sob pesadas dívidas, crises ambientais e pobreza crônica, tornam de importância primordial a assunção dessa responsabilidade.

As barreiras comerciais dos países industrializados custariam aos países em desenvolvimento, segundo estimativas, cerca de US\$ 100 bilhões de suas receitas em divisas fortes. Isso equivale a duas vezes os juros pagos anualmente pelos países em desenvolvimento sobre suas dívidas externas, e é duas vezes o valor da assistência anual ao desenvolvimento dos países-membros da Organização para a Cooperação e Desenvolvimento Econômico (OCDE) a esses países.

É crucial que a solução para os problemas pendentes seja de fato multilateral. Acordos bilaterais quanto a setores específicos podem parecer atraentes a curto prazo, mas em prazo mais longo diluirão as vantagens que os acordos multilaterais apropriados podem trazer a todos.

As iniciativas comerciais regionais vêm recebendo crescente atenção na Amé-

rica. E mais, os arranjos regionais têm grande probabilidade de se mostrarem falhos se não forem embasados por firme compromisso com um sistema multilateral de regras e disciplinas. Por todos esses motivos, o desafio fundamental que a comunidade internacional deve enfrentar continua a ser a conclusão bem-sucedida da Rodada Uruguaí.

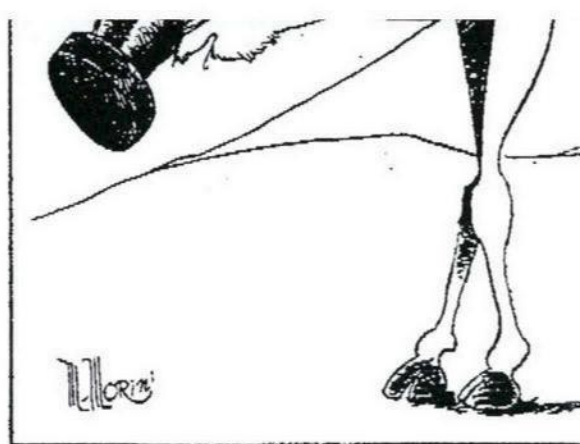
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Se não for atingido acordo na Rodada Uruguaí, os arranjos e obrigações internacionais existentes continuariam a valer, em princípio. Mas há o grande perigo de que a erosão dos arranjos multilaterais se instale então. A política comercial não pode permanecer imóvel, porque os interesses especiais estão sempre em busca de proteção. Na ausência de vantagens, so há retiradas.

Não devemos perder essa oportunidade de avançar. De outra forma, poderia levar anos para que se acumulasse o ímpeto necessário a novas negociações. Enquanto isso, o sistema sofreria crescente fadiga contra o pano de fundo de um espectro cada vez mais reduzido de especialização por meio do comércio. Há muito em jogo para que se permita que a Rodada Uruguaí termine inconclusivamente.

* Presidente do Banco Mundial. Artigo escrito para este jornal.



Como elevar a produtividade conjuntura nacional

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Uma conjuntura nacional difícil como a que vivemos, com uma inflação acoplada a uma recessão, que ameaça a estabilidade das instituições, exige que cada empresa se preocupe com sua produtividade.

O tema produtividade, portanto, merece nesta época de dificuldades econômicas uma atenção especial.

Trilhar essa via vai depender, entretanto, da criatividade e da procura de novos estilos de administração, de novas soluções para as técnicas de produção, distribuição e venda, tudo isso através de uma administração competente.

Melhoria da produtividade não ocorre por acaso. Gerentes competentes a fazem ocorrer. Eles conseguem isso definindo metas, identificando obstáculos a vencer para alcançar tais metas, desenvolvendo um plano de ação para superar esses obstáculos, e efetivamente direcionando todos os recursos disponíveis para o aperfeiçoamento da produtividade.

É necessário, portanto, que profissionais dessa categoria assumam a direção das empresas. A produtividade das empresas estatais ou privadas depende deles, e creio que o País só sairá da enorme dificuldade econômica, a qual provoca uma grave crise social, se as classes representativas de empresários e políticos engajarem-se num programa efetivo de melhoria da produtividade.

Essa proposta está consi-

derada no Programa Brasileiro de Qualidade e Produtividade apresentado pelo presidente da República à Nação.

Considero esse programa atualizado, pois está baseado no conceito de que a produtividade é uma seqüência da multiplicação dos fatores: Tecnologia que inclui as instalações e equipamentos; o "know-how", a engenharia do produto, do processo, os sistemas; e Pessoal, o qual inclui os fatores comportamentais e a moral do trabalhador, a vontade de produzir, o relacionamento de pessoas, a crença no trabalho, na sua chefia, seus objetivos, enfim a atitude.

Em geral as empresas têm dedicado maior atenção ao fator tecnologia, pressuposição simplista que mais engenharia e melhores equipamentos, e melhores resultados.

São as pessoas que ram receita e custos na empresa. Dessa forma, esforços de otimização de produtividade vão depender decisivamente do pessoal envolvido.

Portanto, para o êxito do Programa Brasileiro de Melhoria da Produtividade é necessário que o programa de desmotivação está ocorrendo com o pessoal brasileiro seja solucionado.

Um processo de regulação deve ser iniciado entre governo e empresários—pessoas.

Para solucionar o problema de desmotivação está ocorrendo com a moral do povo brasileiro e seqüentemente ter efeitos melhorias de produtividade, uma peça que constitui fundamental, e um pil-

OFFICE MEMORANDUM

DATE: January 29, 1991

TO: Mrs. Linda McLaughlin, EXC

FROM: Ciro Gamarra, LACSA *C.G.*

EXTENSION: 38721

SUBJECT: Article on Ronda Uruguay

The OP-ED story by Mr. Conable was sent to newspapers in Argentina, Uruguay and Brazil. Attached you will find clippings from El Pais, the largest newspaper in Uruguay and Clarin, also the largest newspaper in Argentina, which published the article on Friday 25, and Sunday 27, respectively. The article was also sent to Gazeta Mercantil in Sao Paulo. I am including a news story sent by EFE News Agency about the article. We distributed the article to EFE and other news wire services in Washington to provide additional coverage.

cc: Messrs. Shakow, Cullen, Quijano, Lateef, Low

CENTRO DE INFORMACION DE LAS NACIONES UNIDAS PARA ARGENTINA Y URUGUAY
 JUNIN 1940 1er. PISO - BUENOS AIRES DIRECCION CABLEGRAFICA
 TELEFONO 803-7671/7672 OMNIPRESS BUENOS AIRES

PUBLICACION EL PAIS

LOCALIDAD MONTEVIDEO - URUGUAY

PAGINAS/S

FECHA 25.1.91

Un Análisis de Barber Conable, Presidente del Banco Mundial

Perjuicios Para Toda América Latina

El presidente del Banco Mundial, Barber Conable, analiza en este artículo que escribió especialmente para EL PAIS, los problemas derivados del fracaso en la Ronda Uruguay del GATT.

El fracaso, el mes pasado, en llegar a un acuerdo sobre las reglas para lograr una mayor liberalización del comercio mundial es motivo de profunda preocupación, especialmente aquí, en América Latina, región en la que tantos países han emprendido recientemente reformas económicas de gran alcance. La inexistencia de unos mercados internacionales abiertos y que funcionen bien amenazará con menoscabar los beneficios que puedan reportar esos programas de ajuste.

La Ronda Uruguay de negociaciones comerciales multilaterales, que tiene lugar bajo los auspicios del Acuerdo General sobre Aranceles Aduaneros y Comercio (GATT), representa la empresa de esta índole más compleja e importante de la historia. El hecho de que más

de 100 países se hayan comprometido respecto de estas negociaciones representa un reconocimiento de la valiosa contribución que la liberalización del comercio ha hecho al crecimiento de la economía mundial a lo largo de más de 40 años.

Una Ronda Uruguay que concluya satisfactoriamente contribuirá a la reducción adicional de las barreras al comercio, a la reintroducción de elementos de disciplina allí donde estos se han debilitado y a la adaptación del sistema de comercio a las nuevas realidades económicas internacionales. El fracaso de la Ronda Uruguay pondría en peligro las perspectivas de crecimiento y prosperidad en todo el mundo.

Es evidente que es a los países industriales a los que incumbe la principal responsabilidad de hacer que la Ronda Uruguay concluya con éxito. La difícilísima situación en que se encuentran muchos países en desarrollo, agobiados por pesadas cargas de deuda, crisis ambientales y pobreza crónica, hace que revista suprema importancia el asumir cabalmente esa responsabilidad.

Se ha calculado que las barreras al comercio erigidas por

los países industriales cuestan a los países en desarrollo la cantidad de US\$ 100.000 millones en ingresos no percibidos. Este monto representa el doble de los intereses que estos países pagan anualmente por concepto de su deuda pública externa, y el doble también del valor de la asistencia para el desarrollo que reciben cada año de los países miembros de la Organización de Cooperación y Desarrollo Económicos (OCDE).

Reviste importancia fundamental que las soluciones a los problemas pendientes en las negociaciones tengan un carácter plenamente multilateral. Los acuerdos bilaterales en sectores específicos quizás parezcan atractivos a corto plazo, pero a plazo más largo diluyen las ventajas que unos acuerdos multilaterales adecuados brindan a todas las partes.

Ultimamente, las iniciativas comerciales regionales vienen recibiendo atención creciente en América Latina. Si bien estas iniciativas son importantes para muchos países, es esencial que no se adopten a expensas del multilateralismo. Los acuerdos regionales ofrecen



Barber Conable

cen sólo una solución parcial a los problemas comerciales, y con ellos se corre el riesgo de discriminar en contra de los países que no son parte en los mismos. Desde luego, no son buen sustituto de un sistema comercial multilateral abierto, especialmente en el mundo en desarrollo.

Aún más, es probable que los acuerdos regionales no dan resultados satisfactorios a menos que se apoyen en un compromiso firme respecto de un sistema multilateral de normas y disciplina. Por todas estas razones, el reto primordial que enfrenta la comunidad internacional en el campo del comercio sigue el que la Ronda Uruguay termine con éxito.

Indudablemente, el avance hacia un comercio más libre y mercados competitivos representará en muchos países la aparición de tensiones en ciertas pautas establecidas en la industria y la utilización de la mano de obra. A pesar de ello, las naciones latinoamericanas sinuen adelante en la aplica-

ción de sus programas de reforma, en el convencimiento de que no hay otra forma de mejorar la productividad y la eficiencia y garantizar el crecimiento económico.

Sería, en verdad irónico, que cuando América Latina dé esos pasos con audacia y decisión, los países industriales dieran la espalda a su histórico compromiso respecto del multilateralismo y rehusaran reducir sus barreras al comercio. Toda tendencia hacia el proteccionismo hará que aumente la tensión internacional y que disminuyan las perspectivas de crecimiento de la economía mundial. Esto es especialmente perjudicial en la actual coyuntura económica recesionista que registran algunos importantes países.

Aún cuando no se llegue a ningún acuerdo en las negociaciones de la Ronda Uruguay, las obligaciones y los acuerdos internacionales actuales seguirían en vigor en principio. Ahora bien, existe el grave peligro de que en ese caso se iniciara un proceso de deterioro progresivo de los convenios multilaterales. La política comercial no puede permanecer inmóvil, ya que los intereses especiales están siempre buscando protección. Si no hay avance, lo único que hay es retroceso.

No debemos desperdiciar esta oportunidad de avanzar. De lo contrario, puede llevar años volver a adquirir el impulso necesario para celebrar nuevas negociaciones. Mientras tanto, el sistema atravesaría dificultades y tensiones cada vez mayores, en un entorno de oportunidades cada vez más reducidas para la especialización a través del comercio. Hay demasiado en juego como para permitir que la Ronda Uruguay termine sin resultados decisivos.

CENTRO DE INFORMACION DE LAS NACIONES UNIDAS PARA ARGENTINA Y URUGUAY
 JUNIN 1940 1er. PISO - BUENOS AIRES DIRECCION CABLEGRAFICA
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LA DEFENSA DE LA RONDA URUGUAY

Comercio y desarrollo

El fracaso, en diciembre, en llegar a un acuerdo sobre las reglas para lograr una mayor liberalización del comercio mundial es motivo de profunda preocupación, especialmente aquí, en América latina, región en la que tantos países han emprendido recientemente reformas económicas de gran alcance. La inexistencia de unos mercados internacionales abiertos y que funcionen bien amenazarán con menoscabar los beneficios que puedan reportar esos programas de ajuste.

La Ronda Uruguay de negociaciones comerciales multilaterales, que tiene lugar con los auspicios del Acuerdo General sobre Aranceles Aduaneros y Comercio (GATT), representa la empresa de esta índole más compleja e importante de la historia. El hecho de que más de 100 países se hayan comprometido respecto de estas negociaciones representa un reconocimiento de la valiosa contribución que la liberalización del comercio ha hecho al crecimiento de la economía mundial a lo largo de más de 40 años.

Una Ronda Uruguay que concluya satisfactoriamente contribuirá a la reducción adicional de las barreras al comercio, a la reintroducción de elementos de disciplina allí donde estos se han debilitado y a la adaptación del sistema de comercio a las nuevas realidades económicas internacionales. El fracaso de la Ronda Uruguay pondría en peligro las perspectivas de crecimiento y prosperidad en todo el mundo.

Es evidente que es a los países industriales a los que incumbe la principal responsabilidad de hacer que la Ronda Uruguay concluya con éxito. La difícil situación en que se encuentran muchos países en desarrollo, agobiados por pesadas cargas de deuda, crisis ambientales y pobreza crónica, hace que revista suprema importancia el asumir cabalmente esa responsabilidad.

Se ha calculado que las barreras al comercio erigidas por los países industriales cuestan a los países en desarrollo la cantidad de 100.000 millones de dólares en ingresos no percibidos. Este monto representa el doble de los intereses que estos pagan anualmente por concepto de su deuda pública externa y el doble también del valor de la asistencia para el desarrollo que reciben cada año de los países miembros de la Organización de Cooperación y Desarrollo Económicos.

Reviste importancia fundamental que las soluciones a los problemas pendientes en las negociaciones tengan un carácter plenamente multilateral. Los acuerdos bilaterales en sectores específicos quizá parezcan atractivos a corto plazo, pero a plazo más largo diluyen las ventajas que unos acuerdos multilaterales adecuados brindan a todas las partes.

Ultimamente, las iniciativas comerciales regionales vienen recibiendo atención creciente en América latina. Si bien estas iniciativas son importantes para muchos países, es esencial que no se adopten a expensas del multilateralismo. Los acuerdos regionales ofrecen sólo una solución parcial a los problemas comerciales, y con ellos se corre el riesgo de discriminar en contra de los países que no son parte en los mismos. Desde luego, no son buen sustituto de un sistema comercial multilateral abierto, especialmente en el mundo actual, al término de la guerra fría.

Aun más, es probable que los acuerdos regionales no den resultados satisfactorios a menos que se apoyen en un compromiso firme respecto de un sistema multilateral de normas y disciplina. Por todas estas razones, el reto primordial que enfrenta la comunidad internacional en el campo del comercio sigue siendo el que la Ronda Uruguay termine con éxito.

Indudablemente, el avance hacia un comercio más libre y mercados competitivos representará en muchos países la aparición de tensiones en ciertas pautas establecidas en la industria y la utilización de la mano de obra. A pesar de ello, las naciones latinoamericanas siguen adelante en la aplicación de sus programas de reforma, en el convencimiento de que no hay otra

Escribe Barber B. Conable

forma de mejorar la productividad y la eficiencia y garantizar el crecimiento económico.

Sería en verdad irónico que cuando América latina da esos pasos con audacia y decisión, los países industriales dieran la espalda a su histórico compromiso respecto del multilateralismo y rehusaran reducir sus barreras al comercio. Toda tendencia hacia el proteccionismo hará que aumente la tensión internacional y que disminuyan las perspectivas de crecimiento de la economía mundial. Esto sería especialmente perjudicial en la actual coyuntura económica recessionista que registran algunos importantes países.

Aun cuando no se llegue a ningún acuerdo en las negociaciones de la Ronda Uruguay, las obligaciones y los acuerdos internacionales actuales seguirían en vigor en principio. Ahora bien, existe el grave peligro de que en ese caso se iniciara un proceso de deterioro progresivo de los convenios multilaterales. La política comercial no puede permanecer inmóvil, ya que los intereses especiales están siempre buscando protección. Si no hay avance, lo único que hay es retroceso.

No debemos desperdiciar esta oportunidad de avanzar. De lo contrario, puede llevar años volver a adquirir el impulso necesario para celebrar nuevas negociaciones. Mientras tanto, el sistema atravesaría dificultades y tensiones cada vez mayores, en un entorno de oportunidades cada vez más reducidas para la especialización a través del comercio.



El presidente del Banco Mundial, Barber B. Conable, afirma que "el fracaso de la Ronda Uruguay perjudicará a los países en desarrollo". El proteccionismo les cuesta u\$s 100.000 millones en ingresos no percibidos.

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BANCO MUNDIAL ADVIERTE RIESGO FRACASO RONDA URUGUAY

Washington, 25 ene (EFE).- El Banco Mundial (BM) advierte de los riesgos que tendria para las naciones de America Latina un fracaso de las negociaciones de la Ronda Uruguay sobre comercio y aranceles y exhorta a lograr el exito de tales conversaciones multilaterales.

La situacion "es motivo de profunda preocupacion, especialmente aqui, en America Latina", senala el presidente del BM, el estadounidense Barber Conable, en un articulo para la prensa facilitado hoy a EFE.

Numerosos paises de la region "han emprendido recientemente reformas economicas de gran alcance. La inexistencia de unos mercados internacionales abiertos y que funcionen bien amenazara con menospreciar los beneficios que puedan aportar esos programas de ajuste", destaca Conable.

"Seria en verdad ironico que cuando America Latina da esos pasos, con audacia y decision, los paises industriales dieran la espalda a su historico compromiso respecto del multilateralismo y rehusaran reducir sus barreras al comercio", anade.

"Toda tendencia al proteccionismo hara que aumente la tension internacional y que disminuyan las perspectivas de crecimiento de la economia mundial. Esto seria especialmente perjudicial en la actual coyuntura economica recesionista que registran algunos importantes paises", opina el presidente del BM.

Las negociaciones patrocinadas por el Acuerdo General sobre Aranceles Aduaneros y Comercio (GATT) comenzaron en 1986 y debian terminar en Bruselas en diciembre pasado, pero el enfrentamiento entre las naciones productoras agricolas -con fuerte respaldo de Estados Unidos- y la Comunidad Europea impidieron su finalizacion.

Actualmente se hacen gestiones en la sede del GATT en Ginebra para desbloquear la Ronda Uruguay, proyectada para convertirse en el instrumento internacional que garantice el crecimiento del comercio mundial en un ambito de estabilidad durante esta decada y el siglo XXI.

"Se ha calculado que las barreras al comercio erigidas por los paises industriales cuestan a las naciones en desarrollo 100.000 millones de dolares en ingresos no percibidos", escribio Conable.

"Ese monto representa el doble de los intereses que estos paises pagan anualmente en concepto de su deuda publica exterior y al doble tambien del valor de la asistencia facilitada anualmente por la Organizacion para la Cooperacion y el Desarrollo Economicos", agrega.

El presidente del BM advierte que en caso de malograrse la oportunidad de la Ronda Uruguay pasaran anos antes de encontrarse una nueva coyuntura favorable y existe el grave peligro de que entre tanto se inicie un proceso de deterioro progresivo de los convenios multilaterales. EFE

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World Bank

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BANK PRESS RELEASE NO. 91/S19

Contact: Peter Riddleberger
(202) 473-1786

Press Statement of

Barber B. Conable
President, The World Bank

WASHINGTON, December 18, 1990 -- I welcome recent moves to revive the GATT negotiations on trade liberalization. The liberalization of trade has been one of the main motors of world economic growth for more than 40 years, and the potential failure of the talks in Brussels has jeopardized future prospects for growth.

Many developing countries, already struggling with debt burdens, environmental crises and chronic poverty, have made difficult political and economic choices in their efforts to liberalize their trade regimes. Recognizing the potential gains from more open economies, they have demonstrated an increasing commitment to trade liberalization. It is a cruel irony that the industrial countries which dominate world trade have, so far, lacked the political will to conclude the negotiations positively.

Industrial country trade barriers are estimated to cost developing countries \$100 billion in foregone income. This amount is twice the interest paid annually by developing countries on their public external debt, and is twice the annual OECD official development assistance.

All countries benefit from a liberalized world trading system. The failure of industrial countries to agree to open markets further and fortify the GATT system is short-sighted. Removal of agricultural trade barriers alone would raise the combined income of industrial countries by more than \$50 billion a year -- the same amount they spend on aid. Similarly, the removal of restrictions on trade in textiles and clothing would yield significant benefits to industrial countries. Developing countries would gain considerably from liberalization of world trade in these areas.

The countries of Eastern Europe would be major beneficiaries of freer trade. A new, more liberal trade agreement is needed to bolster their efforts to carry out sweeping economic and political reforms and to integrate their economies into the world economy.

Regional systems offer only a partial solution and are no alternative to a multilateral trading system, especially in the post-Cold War world. The trend toward protectionism will increase international tension and diminish prospects for world economic growth.

I urge all GATT participants to reach agreement swiftly and decisively. Too much is at stake for the Uruguay Round to be allowed to end inconclusively.

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TO: Mr. B. Conable (E-1227) | DATE: 12/13/90 |

SUBJECT:

Document From: Ron Duncan
To: bbc
Dated: 12/13/90

Reference No.: EXC901213023

Topic: BRIEFING: meeting on the Brussels of the Uruguay Round
December 3-7, 1990.

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BRIEFING NOTE FOR MR. CONABLE ON THE BRUSSELS MEETING OF THE
URUGUAY ROUND (DECEMBER 3-7)

The background

1. The Ministers went to Brussels with very little decided, making their task difficult from the outset.

2. Agriculture dominated discussions in the run-up to Brussels and at the Brussels meeting itself. Other important issues also required attention, however, including trade in services, safeguards, intellectual property rights, trade-related investment measures, subsidies, anti-dumping, textiles and clothing, and the use of balance-of-payments measures by developing countries.

3. On all the non-agricultural issues, there was progress or signs of movement. If agriculture had been settled, it is likely that everything else would have been as well.

4. On agriculture itself, the distance was probably not as great as it might have looked. Both the EC and the US almost certainly could have moved more if the negotiations had not broken up.

Why the failure in agriculture?

5. Four main considerations:

- a) Misunderstandings, bad organization -- essentially procedural failures;
- b) Complacency -- the idea that, in the end, negotiators always agree;
- c) Perverse brinkmanship -- thinking that the negotiations could be carried on beyond Brussels;
- d) The EC and US may not have thought agreement was important enough to make the trade-offs necessary.

What kind of results can we hope for?

6. The Brussels fiasco has lowered expectations. If there are agreements reached, they will probably be broad-based but not as liberalizing as could have been possible. However, in virtually all areas, things were shaping up in a way that leads to the conclusion that the modest results that should be attainable are better than no agreement.

What are the consequences of a failed Uruguay Round?

- In general:

7. Creeping deterioration rather than imminent crises:

- a) Protectionist lobbies will be strengthened, more disputes will erupt, but it will be their cumulative effect that is most telling for trade. Over time, heightened protectionism, reduced trading opportunities and reduced growth. Diminished prospects for a healthy world economy;
- b) There will be systemic decline, a readier resort to administered trade, market sharing, and less respect for multilateral norms and due process;
- c) Unilateral armament might take hold -- the temptation in the US to renew Super 301, and for the EC to invent their own 301.
- d) There may be a tendency to fall for the fallacy that regional free trade arrangements are a viable alternative to multilateralism. However, any conceivable configuration of trading blocs would cover less than half current world trade flows. Regionalism may be

inevitable, but it is at best a complement to the multilateral trading system.

- For developing countries in particular:

8. The smallest and weakest countries will be at the greatest disadvantage:

- a) The wide range of market access improvements on offer in the Uruguay Round, of benefit to developing country exporters, will probably disappear. This would be particularly important in some specific areas, such as MFA elimination and improved and more secure access for agricultural exports. The developing countries' unilateral liberalization efforts would have a reduced payoff;
- b) The trade liberalization efforts of developing countries will be at greater risk -- often fragile anyway. It will become harder to hold the line. For the Bank, effective support of trade liberalization efforts in developing countries will be rendered more difficult. All this reduces efficiency, growth and development -- real economic costs;

- c) A generalized threat to the principle of non-discrimination, the cornerstone of the multilateral trading system upon which so much depends. The rules-based system will become increasingly power-based, with obvious disadvantages for developing countries.

What kind of scenario can we envisage?

9. There is an overwhelming case for finishing the Uruguay Round before the expiry of the US "fast-track" negotiating authority -- effectively March 1. Any scenario calling for fast-track extension is very risky. Besides, there is a real problem of diminishing political momentum.

10. It would be dangerous to wait for the recently promised reforms of the EC's Common Agricultural Policy. Who knows when they will actually come into being?

B - Jean Baneth's
Summary of GATT
report - full report
also attached

L -

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION / MIGA
OFFICE MEMORANDUM

DATE: December 11, 1990
TO: Barber B. Conable, President
FROM: Jean Baneth, Director, Geneva Office
SUBJECT: Failure at Brussels

1. This is one of those rare occasions when I believe that, in accordance with my terms of reference, I must report to you directly. You may wish to glance at the attached seven page report I prepared for general circulation; but this note summarizes its main findings.
2. What issues precipitated the failure? Agriculture is the main one, two percent of OECD GDP, less than what may be lost in a couple of years if growth declines because of trade conflicts! Both parties to this dispute have carefully publicized that they have painted themselves into opposite negotiating positions which are now very difficult to modify. To the ample press reports on this issue, I only want to add that the EC offer constitutes a bigger departure from present policy than many seem to have realized. The proposed subsidy reduction seems to be in nominal terms: small relative to the present, but huge relative to where present policies would bring subsidies fairly soon.
3. But also services. The US had vetoed an agreement by rejecting the Most Favored Nation (MFN) clause. Europe, and even some developing countries, are now pretty keen on multilateral liberalization of services trade. More important, however, is that they see the US position as a sign of refusal to abandon unilateral trade pressures. The US position seems to have softened at Brussels, but the conflict is unresolved.
4. As are many other conflicts at many levels between many overlapping groups, even if these are milder, and the battle-lines more blurred. Pressure not to let agriculture and services stand in the way might have become irresistible if all else had been fully settled. To use the logjam metaphor, many other logs are locked together behind the main barrage.
5. Who caused failure? The US and the EC, jointly. They are the freest traders of all (except only for Hong-Kong and Singapore). Yet they are responsible, because together they could have demanded and obtained success, which is not the case for any other combination of partners.
6. What caused failure? Misunderstanding of the other's position; misreading by the US of the strength of European solidarity over agricultural policy; failure to exploit potential internal EC divisions by sticking to extreme demands unacceptable to any EC member; misuse of a negotiating process that postponed the settlement of bilateral issues to a multilateral conference; mistake, perhaps, of a whole concept that tried to cram too many immensely complicated issues into a single negotiating cycle.

7. Above all, failure of free trade interests to mobilize themselves and public opinions. Within GATT negotiations, every trade liberalizing step is a "concession", made solely to extract similar concessions from others. The failure of politicians and commentators has been to allow the public debate also to take this form, and also to present trade liberalization measures as sacrifices "we" make to please "them".

8. What now? Chances to settle outstanding issues through technical talks in Geneva are precisely nil. Plenty of technical issues remain, on which one can make progress, but the main sticking points are political. One more political effort by US and European leaders is possible, even likely. The EC may well make specific commitments on export subsidies and market access ("rebalancing"), but only within the broad framework of the present overall subsidy reduction proposal. If so, political settlement would require major US departures from present positions. You know better than I whether this is likely in the next two months.

9. If the "fast-track" deadline goes, the cold war in trade will get even colder. With trade skirmishes and retaliations, all will suffer. Fastest might be the rise in the costs of European agricultural policies, even if they are at first disguised, and rendered more palatable, by rising food aid needs the world over, particularly in East Europe and the USSR.

10. Costs will also mount in terms of greater uncertainty, lower investment, slower growth, and a spread of non-cooperation to other areas. At first, their relationship to protectionism may not be clear enough for greater good will to be rapidly promoted. Nevertheless, gradual realization of these costs, and of the internal arguments for reform, may help the process back on track. The biennial Ministerial meetings, one of the few Uruguay Round agreements which will presumably hold, may then be used to move along the process. But, unless the next three months are seized by the political powers, it will be a long and difficult wait.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 11-Dec-1990 11:59am

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TO: LINDA JEAN MCLAUGHLIN

(WILFRIED P. THALWITZ @A1@VAX12)
(LINDA JEAN MCLAUGHLIN @A1@VAX12)

FROM: Jean Baneth, SPRGE

(JEAN BANETH AT A1 AT PARIS)

EXT.: 7332120

SUBJECT: Uruguay Round

For information.

The World Bank/IFC/MIGA
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SUBJECT: Uruguay Round

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THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION / MIGA
OFFICE MEMORANDUM

DATE: December 10, 1990
TO: GATT group
FROM: Jean Baneth, Director, Geneva Office

EXTENSION: 733 2120 / direct line: * 80 88

SUBJECT: Uruguay Round: Inquisitio post mortem

From misunderstanding to failure

1. While failure was predictable, and indeed predicted, the outcome was about the worst possible. Why then was the process allowed to come to this end? Why were thousands of delegates and hangers-on -- including two hundred Cabinet ministers -- assembled and millions spent on waiting for Godot? Or, for that matter, why did the Bank send two observers (and the Fund six)? With all signs clearly pointing to inability to come to agreement, why was the likely outcome not more sharply spotlighted, and thereby perhaps avoided? One must at least speculate about these questions, if only to avoid a repetition of such a non-event.
2. Those reporting did not lack technical expertise. On the contrary, perhaps they had an excess of it. They focussed exclusively on the growing clarity of understanding of the technical differences between the parties, and may have neglected the absence of political processes likely to bring about agreement. Too much faith was also attached to false similarities with the past; the "there always was a crisis before there was agreement" school helped detract attention from the onrush of crisis, and thus helped governments avoid focussing on resolving it.
3. But there are deeper causes. Despite five years' wrangling, neither the public nor politicians have come to understand the other party's point of view. This is true in small things: for the US Government, negotiators, press and public, the expiry of the "fast-track" negotiating authority is an unmovable terminal point all must respect. To Europeans, it is one of the parliamentary deadlines all democracies must face, or postpone, as needs arise and opportunities command. "We must reach an agreement this week, I repeat this week", said Carla Hill. "So the US has a Congress", said EC delegates. "We twelve have thirteen Parliaments"!
4. The press has proclaimed ad nauseam that Brussels showed up a failure of political will. Yet both the EC and the US are now

congratulating themselves on the strengths of their political will, on their ability to hold close to their original proposals. The failures were at many levels:

- failure to understand that the other will not yield (this barely applies to the EC, but very much to the US and its agricultural allies);
- failure of the negotiating process, in particular failure to use the time between last summer's ineffective Trade Negotiating Committee (TNC) meeting and December to move bilateral issues forward bilaterally;
- failure to confront domestic sectional interests, beginning with failure to match highly effective sectional protectionist propaganda with intelligent campaigns to explain the true collective interest to domestic public opinions;
- above all, failure to visualize the implications of failure

Beating plowshares into trade weapons: equal levels or equal changes in agriculture?

5. Nowhere is the misunderstanding and the shared sense of genuine grievance greater than in agriculture - two percent of OECD GDP, but allowed to become a huge issue. The US, Australia and some members of the Cairns group genuinely feel that the imbalance between the relatively open markets in manufactures and the relatively closed ones in agriculture must be corrected now. This, by definition, means a much bigger step in agriculture than in other fields.

6. The EC (and those hiding behind it, including most other Europeans, the Japanese and Koreans) genuinely feel that their overall proposals amount to a greater move towards liberalization than those of their partners. They too want to restore balance; but not in terms of the degree of restrictiveness of the various areas of trade, but in terms of the extent of liberalization moves now to be made, in all fields together. They also want some recognition for being the world's biggest importers of agricultural commodities (the EC as a group, Japan as a country), both in total value and as a share of food consumption.

7. Critics point out that the EC offer of 30 percent subsidy reduction is only half that, from the present level. True, says the EC; but "binding" is the name of the game in GATT negotiations, and that is what we now offer. Moreover, it adds, it is offering a radical departure from its present agricultural policy: a thirty percent reduction in the nominal value of agricultural subsidies is bound to bring all forms of such subsidies well below where they would otherwise have climbed in the next few years. The Commission says this sotto voce, with the hope that the US will read its lips, while European farmers do not overhear.

8. In the event, the farmers are the ones who best understood the message, and demonstrated 30 000 strong against the Commission. The EC fears that its offer is already straining the limits of socio-political acceptability. This point was stressed by the Ministers,

speaking of "human dimension" (Belgium), "multiple objectives" (Norway) and the need to avoid civil strife, last seen (Denmark) in the 16th century. Danish and British Ministers were put forward precisely to reduce expectations of a break-up of the EC common front. Yet some of their trading partners clung to that hope beyond reason, expecting Chancellor Kohl, having won his elections, to make a spectacular about-face and push France into a major policy change.

9. This was a multilayered miscalculation. France is inches, not miles, away from other member countries on agriculture. As well, European solidarity is least likely to break under external pressure. By demanding concessions far in excess of what any EC member was willing to yield, the US never even came close to testing European solidarity... John Grummer, the UK Minister of Agriculture, not enamored of the Common Agricultural Policy, said that the US had "rather like the old British attitude, that if you speak English loudly enough abroad, everybody will understand you".

10. The Europeans seem to have held no false expectation of a US retreat in agriculture. They were just prepared to wait out the offensive in their defensive trenches. Protectionist forces are unafraid of potential retaliation, because it would actually strengthen their positions. Free traders are weakened by the confrontational climate: no one wants to appear to sacrifice European farmers to foreign pressure.

Few assured accords yet in other fields

11. Agriculture was not the only area of contention. Almost equally serious was the disagreement about services. The US, having initiated the push for a multilateral agreement on services, then claimed exemption from the Most Favored Nation (MFN) clause, in effect refusing to subject itself to multilateral rules on services. It said it needs leverage to force recalcitrants to open their markets to service imports as much as it has opened its own. Others are unanimous in refusing to abandon MFN. Some, in particular the EC, proclaim they are no less open than the US to services imports. Many suspect that if the US had its way, bilateral negotiations ostensibly dealing with services might also be used to pry out benefits in other areas too. There are indications of a softening of the US position in the last hours of the Brussels meeting, but in such a many-ringed circus it is difficult to ascertain how much, if anything, has been actually achieved.

12. In Trade Related Investment Measures (TRIMS) US negotiators propose that all government measures influencing investment decisions be prohibited. Few developing and not all industrial countries are willing to accept sweeping restrictions on domestic investment policy tools. Some even wonder how the US position is to be reconciled with that on the intangibility of existing legislation, notably at State and local levels. There is also genuine concern about the opportunities for litigation and protectionism

that would be opened up by an intrusive international agreement.

13. Even in areas reportedly close to agreement, like market access, textiles and clothing, or tropical products, intellectual property or anti-dumping, major differences remained. Many delegations must have seriously questioned whether the concessions needed to reach agreement were truly preferable to remaining without agreement. In some areas, EC and US positions, though separate, have broadly similar thrusts. In textiles and clothing, they propose forward movement so slow that close observation may show it to be actually backward. In antidumping and other rules, they aim at facilitating legalized intervention against "disruptive" imports.

14. Other disagreements do not easily fall into "free trade" or "protectionist" categories but are none the less serious. They concern (inter alia) intellectual property (the disputes on the strength of patent protection constitute a fracture along developed-developing country lines, while that on its inception, at the time of invention or that of filing, pit the US against other industrial countries, as do those on geographical names and on audio-visual programs.

The greatest ever (and most visible) non-participation by developing countries

15. Developing countries were sharply disappointed. Not that they were necessarily all that keen on trade liberalization themselves. The Bank may somewhat flatter itself if it thinks that free trade has now become fully popular. Even the EC's proposal greatly to liberalize the import of tropical products was greeted with more dismay than rejoicing, simply because more developing countries are inside the ACP group than outside it, and EC liberalization would weaken the benefits they now draw from preferences. Many a Minister may have felt more relief at the thought that no battle now needed to be fought on intellectual property, investment measures, subsidies or even market access, than chagrin at the failure to reach agreement.

16. Moreover, in some ways paralleling one of the agricultural misunderstandings, industrial countries say that the time has come for liberalization levels to be brought more closely together. The Europeans have been the most vocal exponents of this "a fair ride, not a free ride" position. Even the most free-trading developing countries say that bygone measures are bygone, and only new liberalization measures should be matched by new measures. They also want "recognition" for recent but unbound liberalization steps (in addition to "credit" for bound ones); while other developing countries insist on "special and differentiated" rights to maintain restrictions.

17. Yet developing countries came in strength. Fifty delegates from Korea, three Cabinet Ministers each from Indonesia and Thailand, delegations from Bangla Desh and Malawi, which, while

small, nevertheless probably absorbed half their annual travel budgets. Most of these developing country delegations (and also those from some smaller industrial countries) spent their time asking each other and observers whether they knew what was going on (usually, no). They were frustrated and angry, not just at having wasted their time, but at their lack of influence having been made so obvious. They will be most reluctant to return to any meeting until they are assured that they will be truly involved in discussing main issues: not an easy precondition to meet, given current GATT mechanisms.

What now? no bang, but a long whimper.

18. What now? In my memorandum of 21 November, I wrote in conclusion:

" The Community will almost certainly not advance much beyond its current offer, except perhaps on "rebalancing"; and it may be politically inexpedient for others to back down in the next two weeks. All-out subsidy war between potential allies in a bloodier war is also unlikely. My bet is on continued negotiation, with or without agreement on a broad framework including some stand-still commitment. That may also be quite consistent with the state of the negotiations in other areas".

This expectation still holds, with some further lowering of optimism. Negotiations continue at the "technical level". For many months, everyone has been convinced that key political decisions were needed to overcome divergences. This need has not suddenly disappeared, while material arrangements for meeting it have become much more difficult.

19. The EC Commission has given faint but unmistakable signals that it would like to move its agricultural offer slightly, reducing its demands for "rebalancing" and firming up a commitment to reduce export subsidies; however, keeping the total package within the broad framework of the original offer. Moreover, this offer is subject to movement in other fields, including services (where the onus is on the US), antidumping and rules.

20. These are not insurmountable differences. They (and others) represent a different, and much lower, order of difficulty than the chasms in agriculture and services. They are important mostly because they mean that the immediate recompense of political courage and sacrifice in those two main areas would be another set of arduous negotiations, not final agreement.

21. If the EC moves no more than I expect, what about the others? The Cairns group is least able to bear an agricultural subsidy war, and in fact regionalism is not much of an alternative for it (Japan and Korea are even more adamant on agriculture than the EC, and the US is not much of a market for it). They will not stand in the way of an EC-US agreement; but will not actively facilitate it.

22. Domestic politics are at least as strong an obstacle to the US reducing its agricultural demands than to the EC's acceding to them. I see very slim prospects for agreement; and almost none for agreement in time for taking the fast track in the US Congress. I should add, though, that while my colleague, Piritta Sorsa, shares my analysis, she is more optimistic in her assessment of prospects.

23. So a trade war in March? It is not as if old agreements were suddenly to expire. The EC will reinforce the Commission's authority to take trade restrictive measures (calling them "retaliatory"). There will be minor forays and localized skirmishes; but the ultimate weapons will be mostly held in check. At most a cold war.

24. Yet this is not an optimistic scenario. The greatest obstacle to agreement in Brussels was that the large countries felt under little pressure to compromise, because the consequences of failure did not seem particularly stark. The alternative to agreement is still not a clean wound, easily perceived by all: it is the aggravation of a pernicious disease. What form it will take nobody can forecast, nor its exact gravity; nor can one disprove now expectations of immunity now held by some, the EC and the US in particular.

25. Trade is amazingly resilient in the face of known obstacles, even if they are sizeable. Uncertainty, on the other hand, is very bad for it, and the essence of cold wars is uncertainty. It will deter not only trade, but also investment, particularly when combined with the other major uncertainty, that of exchange rates. As this impact is less clearly identifiable than that of a clear trade war, it may also be less easily realized by politicians, and generate less clear-cut reactions. It may drag on, and lead not to a crash, but to a whimpering slow-down.

26. Unavoidable? not really. But a realistic analysis of the likely consequences of the present course of action is the first prerequisite for avoiding them. Cassandra is more useful than Polyanna.



World Bank

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BANK PRESS RELEASE NO. 91/S19

Contact: Peter Riddleberger
(202) 473-1786

Press Statement of

Barber B. Conable
President, The World Bank

WASHINGTON, December 18, 1990 -- I welcome recent moves to revive the GATT negotiations on trade liberalization. The liberalization of trade has been one of the main motors of world economic growth for more than 40 years, and the potential failure of the talks in Brussels has jeopardized future prospects for growth.

Many developing countries, already struggling with debt burdens, environmental crises and chronic poverty, have made difficult political and economic choices in their efforts to liberalize their trade regimes. Recognizing the potential gains from more open economies, they have demonstrated an increasing commitment to trade liberalization. It is a cruel irony that the industrial countries which dominate world trade have, so far, lacked the political will to conclude the negotiations positively.

Industrial country trade barriers are estimated to cost developing countries \$100 billion in foregone income. This amount is twice the interest paid annually by developing countries on their public external debt, and is twice the annual OECD official development assistance.

All countries benefit from a liberalized world trading system. The failure of industrial countries to agree to open markets further and fortify the GATT system is short-sighted. Removal of agricultural trade barriers alone would raise the combined income of industrial countries by more than \$50 billion a year -- the same amount they spend on aid. Similarly, the removal of restrictions on trade in textiles and clothing would yield significant benefits to industrial countries. Developing countries would gain considerably from liberalization of world trade in these areas.

The countries of Eastern Europe would be major beneficiaries of freer trade. A new, more liberal trade agreement is needed to bolster their efforts to carry out sweeping economic and political reforms and to integrate their economies into the world economy.

Regional systems offer only a partial solution and are no alternative to a multilateral trading system, especially in the post-Cold War world. The trend toward protectionism will increase international tension and diminish prospects for world economic growth.

I urge all GATT participants to reach agreement swiftly and decisively. Too much is at stake for the Uruguay Round to be allowed to end inconclusively.

File
GATT / Uruguay Round ?

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 14-Dec-1990 11:04am

TO: Alexander Shakow

(ALEXANDER SHAKOW)

FROM: Sven Sandstrom, EXC

(SVEN SANDSTROM)

EXT.: 81138

SUBJECT: Press statement on GATT

Alex,

Mr Conable is very keen to get out a strong statement on the GATT Uruguay Round and is concerned that the more we wait the less attention it will get. Carla Hills also called him last night urging him to "say something".

You/Ron(?) should try to use the points he made in his meeting yesterday with you and Tim. Such as importance of trade liberalization.. for everyone, both developed and developing countries.. important for economic growth and efficiency which is our business, so we will continue to press.. importance of agriculture for developing countries.. importance of multilateral collaboration.. the break strengthens hands of those who resist trade liberalization.. etc

Sven

CC: Paul Isenman

(PAUL ISENMAN)

CC: Ronald C. Duncan

(RONALD C. DUNCAN)

CC: Timothy Cullen

(TIMOTHY CULLEN)

CC: Linda Jean McLaughlin

(LINDA JEAN MCLAUGHLIN)

12/14
2pm

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

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TO:	Mr. B. Conable (E-1227)	DATE:	12/13/90
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SUBJECT:

Document From: Ron Duncan
To: bbc
Dated: 12/13/90
Reference No.: EXC901213023
Topic: BRIEFING: meeting on the Brussels of the Uruguay Round
December 3-7, 1990.

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ACTION INSTRUCTIONS:	DUE DATE:
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- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____XXX_____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- _____ PREPARE RESPONSE FOR _____ SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

Remarks: cc: AK/SS/JWS

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BRIEFING NOTE FOR MR. CONABLE ON THE BRUSSELS MEETING OF THE
URUGUAY ROUND (DECEMBER 3-7)

The background

1. The Ministers went to Brussels with very little decided, making their task difficult from the outset.

2. Agriculture dominated discussions in the run-up to Brussels and at the Brussels meeting itself. Other important issues also required attention, however, including trade in services, safeguards, intellectual property rights, trade-related investment measures, subsidies, anti-dumping, textiles and clothing, and the use of balance-of-payments measures by developing countries.

3. On all the non-agricultural issues, there was progress or signs of movement. If agriculture had been settled, it is likely that everything else would have been as well.

4. On agriculture itself, the distance was probably not as great as it might have looked. Both the EC and the US almost certainly could have moved more if the negotiations had not broken up.

Why the failure in agriculture?

5. Four main considerations:

- a) Misunderstandings, bad organization -- essentially procedural failures;
- b) Complacency -- the idea that, in the end, negotiators always agree;
- c) Perverse brinkmanship -- thinking that the negotiations could be carried on beyond Brussels;
- d) The EC and US may not have thought agreement was important enough to make the trade-offs necessary.

What kind of results can we hope for?

6. The Brussels fiasco has lowered expectations. If there are agreements reached, they will probably be broad-based but not as liberalizing as could have been possible. However, in virtually all areas, things were shaping up in a way that leads to the conclusion that the modest results that should be attainable are better than no agreement.

What are the consequences of a failed Uruguay Round?

- In general:

7. Creeping deterioration rather than imminent crises:

- a) Protectionist lobbies will be strengthened, more disputes will erupt, but it will be their cumulative effect that is most telling for trade. Over time, heightened protectionism, reduced trading opportunities and reduced growth. Diminished prospects for a healthy world economy;
- b) There will be systemic decline, a readier resort to administered trade, market sharing, and less respect for multilateral norms and due process;
- c) Unilateral armament might take hold -- the temptation in the US to renew Super 301, and for the EC to invent their own 301.
- d) There may be a tendency to fall for the fallacy that regional free trade arrangements are a viable alternative to multilateralism. However, any conceivable configuration of trading blocs would cover less than half current world trade flows. Regionalism may be

inevitable, but it is at best a complement to the multilateral trading system.

- For developing countries in particular:

8. The smallest and weakest countries will be at the greatest disadvantage:

- a) The wide range of market access improvements on offer in the Uruguay Round, of benefit to developing country exporters, will probably disappear. This would be particularly important in some specific areas, such as MFA elimination and improved and more secure access for agricultural exports. The developing countries' unilateral liberalization efforts would have a reduced payoff;
- b) The trade liberalization efforts of developing countries will be at greater risk -- often fragile anyway. It will become harder to hold the line. For the Bank, effective support of trade liberalization efforts in developing countries will be rendered more difficult. All this reduces efficiency, growth and development -- real economic costs;

- c) A generalized threat to the principle of non-discrimination, the cornerstone of the multilateral trading system upon which so much depends. The rules-based system will become increasingly power-based, with obvious disadvantages for developing countries.

What kind of scenario can we envisage?

9. There is an overwhelming case for finishing the Uruguay Round before the expiry of the US "fast-track" negotiating authority -- effectively March 1. Any scenario calling for fast-track extension is very risky. Besides, there is a real problem of diminishing political momentum.

10. It would be dangerous to wait for the recently promised reforms of the EC's Common Agricultural Policy. Who knows when they will actually come into being?

B - you have lunch with Katz of STR on Wed. 11/14.

Thought you might like to review these updates from Baneth.

L -

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION / MIGA
OFFICE MEMORANDUM

DATE: November 9, 1990
TO: Ms. Linda McLaughlin, EXC3
FROM: Jean Baneth, Director, Geneva Office
EXTENSION: 733 2120 / direct line: * 80 88
SUBJECT: Update of Uruguay Round brief for Mr. Conable.

small progress in agriculture

1. The only person in Geneva who still believed that agricultural trade liberalization was imminent committed suicide inside the GATT Secretariat to protest it, a Korean farmers' representative. Others welcomed the laboriously reached EC-EC agreement, but noted that it did not go very far in promising trade liberalization. However, the Ministers left the Commission with an EC offer far removed from Cairns group and US demands, and very little flexibility for further concessions (except perhaps on "rebalancing", the proposed increase in EC protection for some products).

regression in services

2. There is also complete blockage on services. There, the US, having originally proposed the move towards free trade, is now blamed for then caving in to its own sectoral interests, and now wanting to exclude several sectors (maritime and air transport and telecommunications). There is still a chance for a framework agreement without much content; but also serious danger that others will seize this opportunity to blame it on the US, and have no agreement at all in this field.

wrangling and stagnation in trade-related investment measures (TRIMS), subsidies, anti-dumping and (perhaps) "safeguards"

3. Serious disagreements also persist about (TRIMS) and subsidies, many countries resisting, to various extents, US demands for sweeping bans on interference with free markets; one argument being that detailed intergovernmental interference would be needed to interdict government interference to the desired extent. The US and EC want to keep relatively free hands for anti-dumping intervention; others resist. This overlaps to many other areas.

good chances for agreement on textiles

4. There has been considerable convergence in textiles, around a 10-15-year phase-out of the MFA and return of textiles to the general regime. The US has privately indicated willingness to give up its earlier insistence on a global quota. and some other fields

5. There has been some progress in rule-making and intellectual property. Even the vexatious issue of the escape clause for developing countries on balance of payments grounds could be resolved. But a strong concerted push still does not seem to be there.

a European super-301?

6. There have been low-decibel but ominous rumblings about the EC equipping itself with a clone of super-301. The purpose may genuinely be to fight off US threats, and get peace through balance of terror; but we may not be so lucky again. "Si vis pacem, para bellum" is fine, one may have to prepare for war if one wants peace; but in this case I prefer "si vis pacem, para pacem", if you want peace, prepare for peace.

likely outcome: modes liberalization + framework for future talks

7. My bet is still that some form of general agreement will be reached at Brussels, to be clarified and rendered adequately specific in January and February; and that it will provide for modest trade liberalization in a few areas, and some reinforcement of rules concerning anti-dumping and market disruptions. Above all, it will provide for a framework for continuing negotiations, possibly evolving into a new Multilateral Trade Organization.

what to ask and tell Mr. Katz

8. Mr. Conable will of course want to ask how Mr. Katz views prospects; and perhaps also whether Mr. Katz sees anything the Bank could do (or say) to improve them. Mr. Katz knows fully well how disastrous a trade war would be for the developing countries, and for the prospects of their being able to keep up their momentum towards market-oriented policies; nevertheless it may be worthwhile to point again at the implications of failure, not just for economic growth, but for social and political stability.

9. The Bank has at times expressed concern about "credit" for developing countries that have liberalized their trade unilaterally. The standard answer is they can get credit if they offer to bind their new regimes. The issue need not be raised again.

10. Mr. Katz knows well the Bank's stance on trade issues, and is unlikely to raise questions about them. He might ask (as have some others in Geneva) what prevents Mr. Conable from attending the Ministerial meeting. Mr. Conable may wish to stress that this does not reflect any lessening of the priority we attach to the Round.

1) B [signature]
2) CAP for ff 11/14 lunch with Katz

11/14 ++

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 17-Oct-1990 01:06pm GMT

TO: LINDA JEAN MCLAUGHLIN (LINDA JEAN MCLAUGHLIN @A1@VAX12)

FROM: Jean Baneth, Geneva Office (JEAN BANETH)

EXT.:

SUBJECT: Briefing for Mr. Conable.

Herewith a briefing for Mr. Conable's meeting with Mr. Katz. I am also transmitting it by FAX.

I am also attaching, for deep background, the summary of the last formal meeting of the Trade Negotiating Council we prepared in July. The situation has not changed much since then, except in the sense that lying relaxed on the railway tracks in an unchanged position is not really the same position when the train is rushing on. There is no need to read this July brief, but it may be useful if there is a question on one of the negotiating groups.

Regards.

CC: WILFRIED P. THALWITZ (WILFRIED P. THALWITZ @A1@V
CC: ALEXANDER SHAKOW (ALEXANDER SHAKOW @A1@VAX12
CC: D. C. RAO (D. C. RAO @A1@VAX12)
CC: PAUL ISENMAN (PAUL ISENMAN @A1@VAX12)

Champagne or Roquefort). Developing countries could then be swept along. One might even move on services, where the betting is that the US would agree to including all sectors in a framework agreement, provided the actual liberalization of foreign access can then be postponed. However, this is all subject to agreement in other, hotter fields, which now seems unlikely, and to political will, which seems weak and centered on other fields. As for developing countries, they demand movement on textiles, tropical products, and agriculture; and they see little point in yielding on other points before a common industrial country position emerges.

4. On agriculture, the EC has not yet finished its own internal negotiations (other Europeans are even more protectionist in this field). Whatever their offer, EC negotiators here and in Brussels will have very limited authority to depart far from positions still being laboriously hammered out. As for the US, the fractiousness of Congress has been used as an argument for concessions by trading partners. Combined with recent budget history, it now weakens the US negotiators' ability to offer bargains, and their credibility if they do. For both US and EC, this is true in more areas than just agriculture. Thus the key negotiators have little authority to move, and little credibility if they do. One can hardly think of a worse setup for serious last minute bargaining.

5. There has been much less publicity around the negotiations concerning GATT rules: safeguards, anti-dumping, dispute settlement.... Yet in some ways these issues go to the very heart of GATT, even more than the liberalization of particular areas of trade. Both the EC and US demand more permissive rules for intervening against "disruptive" imports and dumping; and less permissive rules for developing countries to respond restrictively to balance of payments pressures. These demands are strongly resisted by developing countries, Japan and Hong-Kong, their prime targets. The choice is rapidly being narrowed down to one between the continuation of the present grey area, and new rules that would partially legalize many recent restrictive practices, and truly outlaw only a few.

6. Were it not for the US Congress looming in the background, I would now expect Brussels to produce a typical vague international compromise resolution; to create a forum for continuing

negotiations on services, a GATS separate from GATT but closely linked to it; possibly some strengthening of GATT itself; and some tariff reductions, modestly tightened rules, and similar significant but small results.

7. But there loom the likelihood that the US Congress would not ratify minor changes to what it considers an overall unfair trading environment, and the threat of unilateral trade legislation. These might still impel the US itself, the EC, and others to overrule their protectionist lobbies. The reverse, however, now seems more likely: that major moves cannot be agreed, and that the US delegation (joined by the Cairns group) will reject a wishy-washy modest agreement. A GATS may still be created, because otherwise there would be no forum for continuing negotiations on services after the end of the Uruguay Round); and trade negotiations would then still continue, in GATT and GATS. But whatever little momentum is still present would be gone, or redirected to different frameworks: the EC itself and its concentric circles in Europe (EC, EFTA, East Europe) and in developing countries (various associates and the Lome Group); the US and the Americas.... Meanwhile, trade obstacles would mount in all the grey areas, thorough legislative mandate in the US, and through administrative interpretation in the EC. Not desirable prospects, but increasingly likely.

TRIUMPH OF THE POLITICS OF SECTIONAL INTERESTS?

8. Thus political weakness may again have defeated economic self-interest. Sectional economic interests have formed powerful and vocal political groups in favor of protection. Meanwhile, little seems to have been done anywhere to mobilize political public opinion in favor of free trade (except, in Europe, in the context of the Common Market). Even when the free traders win a tussle (as when Mme. Edith Cresson was removed from the Cabinet recently in France), no one tries to explain that protectionist policies in manufacturing only accelerate the loss of export markets (not to mention their costs to consumers). When throughout the summer French farmers made the news by burning trucks and ransacking government buildings, no one seized the opportunity to explain the limitations, drawbacks and costs of the common agricultural policy.

9. Without such political preparation, governments may never gather the courage needed to impose major new trade liberalization measures, which would necessarily harm significant political groups. While many developing countries engage in radical reforms, the old democracies seem to live in an era where the general good is overwhelmed by the sectional interests of active minorities.

Status of the GATT Uruguay Round before the Final Stretch
 (end July 1990): Some Developing Country Perspectives

A. Summary

"Save the Uruguay Round" has been the plea in many headlines after the unproductive Trade Negotiations Committee (TNC) meeting last week; less than 15 weeks to go with no "profiles" of agreements on the table. The frustration of the participants was obvious after one week of political speeches and no negotiations. The 63 Japanese, 21 Thai and 16 Malaysians flown to Geneva had to return empty handed to their capitals.

Officially the failure of the TNC was blamed on the unwillingness of the US and EEC to negotiate. Exposing their differences about agriculture in public was feared to widen the gaps in other areas. The real issue may just be that the utmost complexity of the Round and the new areas just caught some politicians unprepared for the important decisions needed to push the Round forward. The appearance of only 16 Americans in the TNC raised questions about that country's real intentions despite the high profile given to the Round and "free trade" by the President. Certainly the EEC did not send the 31 Eurocrats and 148 national delegates just to see the Lake of Geneva.

Despite the apparent pessimism a more detailed look at the status of negotiations in the 15 groups gives some hope for a constructive outcome by December, although details would be worked out subsequently. The documents presented to the TNC vary in quality and content, but in most cases form a basis for intensified negotiations. Apart from the key sectors of agriculture and textiles, where most far-reaching political decisions are required, the remaining issues in most of the other groups seem solvable. In some (although minor) areas tentative agreements already exist. Most progress has been achieved in the improved GATT rules. Market access talks are lagging, but some progress in tariffs and NTBs can be expected in early fall. The most contentious remaining issues are dumping, TRIPs and coverage of services. The possibility for cross-retaliation between new areas and the traditional goods trade is also still unresolved.

Pessimism is also a negotiating tactic and a way of expediting domestic bargaining on the issues. The creation of a mini-crisis to push forward the talks was also the aim of the GATT Director General, Mr. Dunkel, during the TNC. Moreover, the negotiators seem to have been late in waking up their home bureaucracies to the actual consequences of the issues under

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discussion. (The World Bank may also want to think how to help her constituencies in the eventual implementation of the results). Solutions are also delayed by delegations linking all issues together and not wanting to reveal all of their cards until the last minute.

THE DUNKEL CRITICAL PATH:

Last week of August: Groups reconvene.

First week of October: Group Chairmen to submit progress reports to GATT DG.

October 8: Drafting of final agreement starts. Senior official on call in Geneva.

October 15: Offer and compromises in place for market access and compromises on rules of origin, PSI, roll-back.

November 23: Draft final agreement in three official languages.

December 3: Finalization of the agreement in Brussels.

B. Progress in the Negotiating Groups

The divergent nature of world trade during the recent decade has not eliminated the traditional North-South groupings in the Uruguay Round, although differences do exist within the two extremes. The Cairns Group and the ASEAN with the Japanese at times have crossed the lines on some issues. The developed countries have tended to behave either as reformers of the trade rules (or policies) or as their reviewers. The US is the loudest reformer, and is at times joined by Canada or Australia and New Zealand. The Europeans (EEC, Nordics, Austria and Switzerland) are mostly willing to revise their policies. Japan is keen on stronger rules but keeps a low profile on most issues.

Developing countries were one of the "official pessimist" groups in the TNC. They spoke out their frustration at the current state of the Round, in which they have wanted to be active participants (their closer adhesion to the GATT system is one of the objectives of the Round). Despite obvious diversity at present they share a common stand on a number of issues. First, they dislike the proposed changes by some developed countries to restrict the use of the balance of payments clause; as long as access to markets for their goods remains constrained they need a safety valve for BOP crisis control. Second, they are concerned by the lack of transparency now characterizing the talks. Third, most LDCs want to maintain the MFN principle in all areas (especially in safeguards). Fourth, they oppose cross-retaliation in the new areas and possible cross-conditionality with enhanced cooperation with the Bretton Woods institutions. Fifth, the lack

of sufficient recognition for recent unilateral trade reforms in some LDCs by some developed countries is worrying. Sixth, liberalization of textiles trade and symmetry in the treatment of capital and labor in services are of concern to a number of LDCs.

Beyond apparent group cohesion the views of the LDCs on the Round are far from clear cut; they reflect their divergent trade interests. There are four major groups; the vigorous one of mainly ASEAN countries and Hong Kong, which are actively participating especially in issues relating to strengthening of the GATT rules. They are at times joined by other "liberalizing countries" like Mexico, Hungary or the Cairns Group countries on some issues. The vocal inward-looking group (led by India and occasionally Brazil) is against most revisions of rules or making of liberalization concessions. The third is a silent one of mainly Africans, which do not see much benefit from more liberal world trade. The fourth is the least developed countries (led by Bangladesh), which want all benefits without any concessions.

The following is a more detailed account of progress or lack of it in the negotiating groups in the four main areas of the Round: market access, rules, new areas and institutional issues.

I. Market Access:

"From free ride to fair ride" is the goal set by many developed countries for the developing ones in the Round. This is still resisted by the vocal group, which attaches great importance to the maintenance of special and differential treatment of developing countries. It is obvious that their more fragile markets can easily be disturbed by shocks, but the current abuse of the special treatment at the same time undermines the credibility of GATT. Many also fail to see liberalization as beneficial in the long run: GATT legal language also promotes the idea of liberalization as a "concession".

In general, current offers are far below the targets in all areas of market access. Many developing countries are expecting credit from their recent unilateral liberalizations. This was, however, lacking in some statements made during the meeting. The US pointed out the low level of market openings in offers by the LDCs in general and in the ASEAN countries in particular.

Tariffs (NG1). Most countries are currently engaged in intensive, time-consuming bilateral negotiations on tariffs. According to the Chairman of the Group 42 (covering most world trade) of the 107 participants had submitted proposals, which would amount to a 15 % average reduction from present levels. Much progress is needed before the October 15 deadline, if the Montreal goal of a 33 % reduction is to be achieved. The request-offer procedure tends concentrate attention to the major trading partners first.

Non-Tariff-Barriers (NG2). The Chairman stated that only 34 participants had submitted request lists covering issues like improved licensing etc. The real NTBs like VERs and other gray area measures are tackled indirectly by improved rules, safeguards and compliance with dispute settlement as they are formally outside the GATT.

The Chairman presented draft texts for negotiation on the two rule-making areas of the Group; preshipment inspection (PSI) and rules of origin. The aim is to achieve a clearer international discipline in these areas and to stop the use of the rules for protectionist purposes. Standardized rules of origin and a forum for dispute settlement in their application are considered important especially by Japan and a number of other Asian countries. Currently, exporters face different and changing rules depending on destination. In rules of origin, agreement is sought on the scope and place of the technical studies needed to determine the harmonized rules of origin. In PSI, which is mostly used in Africa, issues under discussion concern the exclusion from inspection of transactions below minimum thresholds or whose price or quality fluctuates substantially, place of inspection, process of price determination.

Market access negotiations have been especially disappointing to developing countries in the groups dealing with natural resource based products (NG3) and tropical products (NG6), where they see more potential for exports. Many developed country delegations link these to progress in other areas on market access. In the NRB group the EEC continues to anger some developing countries by maintaining its proposal to include access to resources and double-pricing on the agenda. This the developing countries consider to exceed the group's mandate. The real issue is access to fishing rights in high seas, which some developed countries would like to expand.

Textiles(NG4). This continues to be one of the cornerstones for developing countries in the negotiations. Benefits from liberalization are obvious. (GATT corridors are echoing recent WDR calculations of 10-20 % increases in exports for both NICs and a number of other developing countries if free trade in textiles is allowed). The Chairman presented a draft text reflecting agreement on the phasing out of the MFA over the coming decade, and disagreement on the modality and the types of transitional safeguards needed.

The views are still wide apart on the choice of global or MFA-based quotas for the phase-out and this is unlikely to be solved rapidly as progress depends on solutions in other areas. Most favourable outcomes would require over 6 % growth in current imports (current MFA rate) if liberalization is to improve the MFA status quo. Pessimists predict a MFA number five for 1991. Most countries favor the MFA based approach for the phase-out, which is the likely winner despite increased lobbying by US

interests and the recent Textile Bill. The global quotas (US and Canada) would concern imports from all countries and in the US would practically stop import growth. Another contentious issue is the insistence by the EEC on bilateral safeguards. These would worsen the situation and continue selective textile protection for years to come.

Agriculture (NG5). The Chairman presented his compromise text, which after lengthy talks was agreed as a basis for negotiations. Here the issues at stake are high for some developing countries: the success of the whole Round is made by many dependent on a solution in agriculture. Some other developing countries want to continue protecting agriculture, while other food-importing developing countries fear the adverse consequences of higher prices (Egypt, Bangladesh).

The most contentious issue is the way farm support is to be reduced. The EEC, most other Europeans and the NICs want a global measure of reduction, where one type of support can be weighed against another thereby giving more freedom in global support levels. The reformers (US, Cairns Group) want to concentrate on the elimination of the most trade distorting support first - export subsidies.

Despite the recent deadlock there are signs of progress. In Brussels many Eurocrats have canceled vacations and are working through August on reform proposals, and their leaders have started to flash figures in public. The media in some countries is starting to prepare the public for the consequences of likely changes in farm support after the Round. All countries are preparing lists quantifying support to the sector by October 1 and final offers by October 15.

II. Strengthening the International Trade Rules

A major objective of several, especially smaller and ASEAN, participants in the Round is the strengthening of the multilateral rules governing trade to reduce i) the extensive use of bilateral deals (VERs and other gray area measures) and ii) unilateral policing by larger CPs, which circumvent the multilateral system. Key areas considered are the reinforcement of the dispute settlement mechanism, and reduction in the number of exceptions and waivers allowed under the present rules. Considerable progress has already been made and can be expected in a number of issues, although real success can only be judged by actual compliance with the improved rules.

GATT Articles (NG7). The most contentious issue in GATT articles is the insistence of a number of developed countries to revise the BOP clause of the GATT. Import restrictions are currently allowed for developing countries if the BOP deteriorates substantially. The changes proposed would pose stricter conditions and limits on its use including the use of price versus quantity measures, improved procedures, clearer

criteria to qualify for it. Developing countries see no need for this as their market access and trading environment has not improved in recent years.

Draft texts and tentative agreements have been reached in several areas. All other similar duties will now be recorded in the schedules of tariff concessions (Article II:1b). Transparency of and non-discrimination by state trading companies (Article XVII) will be reduced. Waivers (or grandfather clause) (Article XXV:5) will be subject to stricter rules and eventually eliminated. A major achievement would be the elimination of a US waiver allowing agricultural protection since the 1950's.

MTN Agreements and Arrangements(NG8). This group has considered improvements to import licensing, government procurement, technical barriers to trade, and customs valuation Codes and rules of the GATT. In all these areas the Chairman was able to present a draft text for negotiations and no major obstacles should remain to finding a compromise in each of them. The issues under discussion are the shifting the burden of proof from Customs to importers in fraud cases, easing the accession to the government procurement code by allowing transitional membership, improved exchange of information and technical assistance to developing countries in customs information in general.

The real contentious issue in this group is the improved rules on dumping. The Acting Chairman's (Mr. Carlisle, a Deputy Director of GATT) compromise text was considered unsuitable for negotiations. At odds are Japan and several ASEAN countries with the EEC and the US. The former promote stricter rules to stop the use of AD duties for protectionist purposes. The latter insist on the need to extend the coverage of the rules to new areas like circumvention dumping, repeat dumping etc. Despite earlier hopes that the Chairman's text would satisfy the two sides no immediate agreement seems in sight.

Safeguards(NG9). Many smaller countries have maintained hopes that improved general safeguards would reduce gray area measures in trade. Current GATT rules allow them against imports from all sources, if they cause injury to a domestic industry. The measures are subject to compensation and retaliation. The power of smaller countries to use these measures is undermined by the negligible impact of their retaliation on others and by the large impact of retaliation by others on them.

Most countries agree on the need for clearer rules for injury and some other provisions. Agreement is blocked by the EEC insistence of using the measures selectively, i.e. against specific sources of the injurious imports. This is unlikely to be accepted as it would undermine the strong MFN principle of the GATT.

Subsidies and Countervailing Duties (CVDs)(NG10). Frequent

use of CVDs for protectionist purposes calls for clearer rules in this area. The Chairman has prepared a draft text as a basis of negotiations, which contains a list of forbidden subsidies (a revised illustrative list of the Subsidy Code, linked to export performance and use of domestic versus imported goods), actionable subsidies and non-actionable subsidies, and improved procedures for determining the CVDs. The dividing line between the groups of subsidies is a measure's likelihood to distort trade.

Agreement can be within reach if further compromise is reached between the developing countries wishing to retain the right to use subsidies for development purposes and the US wanting to ban most subsidies. Other "review"-oriented developed countries would seem happy with a list of allowed and forbidden subsidies.

Dispute settlement(DPS) (NG13). Compliance with current procedures is notoriously inadequate, although there are genuine signs for changing attitudes. For example, the Japanese, who have mostly accepted bilateral arrangements in trade disputes, for the first time tried out the GATT Panel in the recent screwdriver case. Also other participants have showed improved compliance with Panel reports recently.

Agreement in improved DPS seems to be in the making. The chairman's text foresees faster examination of complaints, and prompt implementation of the rulings. The proposed appeals process would allow automatic adoption of Panel reports. Implementation could be improved by imposing time limits or introducing a right to retaliate for the injured country.

III. New Areas

New areas were introduced to the Round by a number of developed countries who felt that too much world trade is outside the international rules. Services are estimated to account for about third of total world trade. The importance of intellectual property in trade flows has also increased; the US claims that it loses at least 60 billion dollars yearly from uncontrolled transfer of intellectual property rights across borders. Foreign investment has increased and thereby the concern for distortive and restrictive local rules on investment.

Many issues in these areas remain still open. Of major concern are also the links of the new areas with each other or with the traditional trade - positions on possibilities for cross-retaliation are not yet clear.

Trade Related Intellectual Property (NG11). The need for international rules in this area is pushed by developed countries: patent piracy, counterfeiting and other forms of theft of copyright is assumed to take a large share of potential trade. Developing countries fear that tighter rules in this area would

hinder their development and transfer of technology. Two major international conventions exist in the area, the Berne one for copyright and the Paris one for industrial designs. These and other TRIPs were traditionally handled in the WIPO. Lack of clear rules for their implementation and dissatisfaction with the organization led to the introduction of the issue in GATT.

The chairman's draft contains two basic approaches: a developed country one with GATT related rules in all seven areas covered (trade marks, patents, copyright, integrated circuits, industrial design, geographical origin, business secrets); and a developing country one, in which trade in counterfeited goods would be under GATT disciplines but all other would be treated separately in relevant international organizations and in national laws.

TRIPs has become one of the contentious issues in the Round. Surprisingly not only on North-South lines but among the developed countries as well. They cannot agree on topics like copyright, where the US wants it to cover only economic rights and not those of the author (at stake are, for example right of a licensee to change films); whether the author is a legal or natural person, or whether patents belong to the first filer or to the inventor, right to link food products to a name of a geographical region.

Trade Related Investment Measures (NG12). Trade has been distorted by domestic purchase requirements, export targeting etc., which are imposed on foreign investors seeking licenses in international markets. These are often used to circumvent GATT obligations. The topic was included in the agenda by the US request to reinforce international rules in the area and to provide more transparency, non-discrimination and an arena for dispute settlement.

The Chairman's text covers three separate proposals: the compromise text, the US text and one submitted by 12 developing countries and supported by China and Sri Lanka. The Chairman's text proposes that some TRIMs should be applied in a tempered manner, while a number of others should be eliminated. The developing countries proposal states that most TRIMs are needed for development purposes, and that existing GATT disciplines are enough to deal with them.

Current negotiation positions reflect a situation from early 1980's, which has changed substantially. This makes it difficult to predict a likely outcome, but the Chairman's text may win support as US Congress is less likely these days to be fully liberal in this respect. The dominance of the EEC and Japan in investments has increased and the US in the meantime has become a net importer of capital facing increased domestic pressures for tighter rules.

Services (GNS). The chairman presented a text for a basis

of negotiations. In a cover note, however, a footnote tells that the coverage issue remains unsolved. Some countries (US, Japan) want to exclude some sectors like financial services or transport from the coverage of the framework agreement. Most others support universal coverage. The text itself contains a large number of loopholes on unresolved issues like structure of the agreement, which need to be rapidly solved. Coverage is the stumbling block and reflects the inability of US and Japanese negotiators to convince several domestic lobbies about joining a multilateral discipline in services. Another contentious issue on the North-South lines is the so-called symmetry of labor and capital services in the agreement. The developing countries want to secure free trade in labor services in exchange for opening up their financial sectors to international capital.

As the issue on the table is a totally new international framework, which carries on to the next century, most developed country participants feel that it is better to achieve a strong agreement than none at all. This despite the fact that in this case some countries may not join immediately. Actual liberalization could then be achieved gradually in subsequent negotiations. Once the coverage issue is solved, a likely outcome is an agreement among the developed countries on basic principles to which developing countries either make numerous reservations or do not adhere at all.

IV. Institutional

FOGS (NG14). Many delegations want to prop up the GATT as an organization to increase its prestige and leverage in general and in dispute settlement in particular. A stronger Secretariat would be a necessary complement to stronger rules. It is also felt that the status of GATT as a treaty and its impact on domestic laws needs to be resolved.

Although important in principle, in practice FOGs is a residual group for many delegations; in the words of one participant "people only think about FOGs two days before the meeting". This lack of attention and the fact that institutional issues are better being solved once the Round is over and its results are known, delays progress.

The delegations agree on a reinforced GATT in principle, on more frequent Ministerials, the need for policy coherence and better relations with the Bretton Woods institutions. Disagreement are on modalities, which are likely to be solved in due time. Agreement is likely to contain some support for renewed GATT, informal collaboration with the Washington IFIs, and some arrangement for a support group for Ministerial meetings.

ANNEX

The sixteen fields (14 negotiating groups and the surveillance body of the GNG, the GNS) covered by the Trade Negotiations Committee ~~meeting~~ and the respective chairmen are listed below in the chart on the structure of the Uruguay Round:

THE STRUCTURE OF THE URUGUAY ROUND:

Trade Negotiations Committee (TNC)#: Arthur Dunkel, GATT

* Group of Negotiations on Goods (GNG)#: Arthur Dunkel, GATT

- | | |
|---|---------------------------------|
| - Surveillance Body | M.G Mathur, GATT |
| - NG1: Tariffs | Lindsay Duthie, Australia |
| - NG2: Non-Tariff Measures | Lindsay Duthie, Australia |
| - NG3: Natural Resource Based Products # | Lindsay Duthie, Australia |
| - NG4: Textiles and Clothing | Lindsay Duthie, Australia |
| - NG5: Agriculture | Aart de Zeeuw, Netherlands |
| - NG6: Tropical Products | Paul Leong Khee Seong, Malaysia |
| - NG7: GATT Articles | John Weekes, Canada |
| - NG8: MTN Agreements and Arrangements | Chulsee Kim, Rep. of Korea |
| - NG9: Safeguards | George A. Maciel, Brazil |
| - NG10: Subsidies and Countervailing Measures | Michael D. Cartland, Hong Kong |
| - NG11: TRIPS | Lars E.R. Anell, Sweden |
| - NG12: TRIMS # | Tomohiko Kabayashi, Japan |
| - NG13: Dispute Settlement | Julio Lacarte-Muro, Uruguay |
| - NG14: Functioning of the GATT System # | Julio Lacarte-Muro, Uruguay |

* Group of Negotiations on Services (GNS)#:
Felipe Jaramillo, Colombia

- Bodies where the World Bank has observer status.

GATT

B- you have lunch
with Katz of STR
on Wed. 11/14.

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION / MIGA
OFFICE MEMORANDUM

DATE: November 9, 1990

TO: Ms. Linda McLaughlin, EXC3

FROM: Jean Baneth, Director, Geneva Office

EXTENSION: 733 2120 / direct line: * 80 88

SUBJECT: Update of Uruguay Round brief for Mr. Conable.

Thought you might
like to review these
updates from
Baneth.

L-

small progress in agriculture

1. The only person in Geneva who still believed that agricultural trade liberalization was imminent committed suicide inside the GATT Secretariat to protest it, a Korean farmers' representative. Others welcomed the laboriously reached EC-EC agreement, but noted that it did not go very far in promising trade liberalization. However, the Ministers left the Commission with an EC offer far removed from Cairns group and US demands, and very little flexibility for further concessions (except perhaps on "rebalancing", the proposed increase in EC protection for some products).

regression in services

2. There is also complete blockage on services. There, the US, having originally proposed the move towards free trade, is now blamed for then caving in to its own sectoral interests, and now wanting to exclude several sectors (maritime and air transport and telecommunications). There is still a chance for a framework agreement without much content; but also serious danger that others will seize this opportunity to blame it on the US, and have no agreement at all in this field.

wrangling and stagnation in trade-related investment measures (TRIMS), subsidies, anti-dumping and (perhaps) "safeguards"

3. Serious disagreements also persist about (TRIMS) and subsidies, many countries resisting, to various extents, US demands for sweeping bans on interference with free markets; one argument being that detailed intergovernmental interference would be needed to interdict government interference to the desired extent. The US and EC want to keep relatively free hands for anti-dumping intervention; others resist. This overlaps to many other areas.

good chances for agreement on textiles

4. There has been considerable convergence in textiles, around a 10-15-year phase-out of the MFA and return of textiles to the general regime. The US has privately indicated willingness to give up its earlier insistence on a global quota. and some other fields

ff 11/14

Katz lunch

5. There has been some progress in rule-making and intellectual property. Even the vexatious issue of the escape clause for developing countries on balance of payments grounds could be resolved. But a strong concerted push still does not seem to be there.

a European super-301?

6. There have been low-decibel but ominous rumblings about the EC equipping itself with a clone of super-301. The purpose may genuinely be to fight off US threats, and get peace through balance of terror; but we may not be so lucky again. "Si vis pacem, para bellum" is fine, one may have to prepare for war if one wants peace; but in this case I prefer "si vis pacem, para pacem", if you want peace, prepare for peace.

likely outcome: modes liberalization + framework for future talks
7. My bet is still that some form of general agreement will be reached at Brussels, to be clarified and rendered adequately specific in January and February; and that it will provide for modest trade liberalization in a few areas, and some reinforcement of rules concerning anti-dumping and market disruptions. Above all, it will provide for a framework for continuing negotiations, possibly evolving into a new Multilateral Trade Organization.

what to ask and tell Mr. Katz

8. Mr. Conable will of course want to ask how Mr. Katz views prospects; and perhaps also whether Mr. Katz sees anything the Bank could do (or say) to improve them. Mr. Katz knows fully well how disastrous a trade war would be for the developing countries, and for the prospects of their being able to keep up their momentum towards market-oriented policies; nevertheless it may be worthwhile to point again at the implications of failure, not just for economic growth, but for social and political stability.

9. The Bank has at times expressed concern about "credit" for developing countries that have liberalized their trade unilaterally. The standard answer is they can get credit if they offer to bind their new regimes. The issue need not be raised again.

10. Mr. Katz knows well the Bank's stance on trade issues, and is unlikely to raise questions about them. He might ask (as have some others in Geneva) what prevents Mr. Conable from attending the Ministerial meeting. Mr. Conable may wish to stress that this does not reflect any lessening of the priority we attach to the Round.

1) B [unclear] 11/14 ++
2) CAP for FF 11/14 lunch with Katz

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 17-Oct-1990 01:06pm GMT

TO: LINDA JEAN MCLAUGHLIN (LINDA JEAN MCLAUGHLIN @A1@VAX12)

FROM: Jean Baneth, Geneva Office (JEAN BANETH)

EXT.:

SUBJECT: Briefing for Mr. Conable.

Herewith a briefing for Mr. Conable's meeting with Mr. Katz. I am also transmitting it by FAX.

I am also attaching, for deep background, the summary of the last formal meeting of the Trade Negotiating Council we prepared in July. The situation has not changed much since then, except in the sense that lying relaxed on the railway tracks in an unchanged position is not really the same position when the train is rushing on. There is no need to read this July brief, but it may be useful if there is a question on one of the negotiating groups.

Regards.

CC: WILFRIED P. THALWITZ (WILFRIED P. THALWITZ @A1@V
CC: ALEXANDER SHAKOW (ALEXANDER SHAKOW @A1@VAX12
CC: D. C. RAO (D. C. RAO @A1@VAX12)
CC: PAUL ISENMAN (PAUL ISENMAN @A1@VAX12)

Champagne or Roquefort). Developing countries could then be swept along. One might even move on services, where the betting is that the US would agree to including all sectors in a framework agreement, provided the actual liberalization of foreign access can then be postponed. However, this is all subject to agreement in other, hotter fields, which now seems unlikely, and to political will, which seems weak and centered on other fields. As for developing countries, they demand movement on textiles, tropical products, and agriculture; and they see little point in yielding on other points before a common industrial country position emerges.

4. On agriculture, the EC has not yet finished its own internal negotiations (other Europeans are even more protectionist in this field). Whatever their offer, EC negotiators here and in Brussels will have very limited authority to depart far from positions still being laboriously hammered out. As for the US, the fractiousness of Congress has been used as an argument for concessions by trading partners. Combined with recent budget history, it now weakens the US negotiators' ability to offer bargains, and their credibility if they do. For both US and EC, this is true in more areas than just agriculture. Thus the key negotiators have little authority to move, and little credibility if they do. One can hardly think of a worse setup for serious last minute bargaining.

5. There has been much less publicity around the negotiations concerning GATT rules: safeguards, anti-dumping, dispute settlement.... Yet in some ways these issues go to the very heart of GATT, even more than the liberalization of particular areas of trade. Both the EC and US demand more permissive rules for intervening against "disruptive" imports and dumping; and less permissive rules for developing countries to respond restrictively to balance of payments pressures. These demands are strongly resisted by developing countries, Japan and Hong-Kong, their prime targets. The choice is rapidly being narrowed down to one between the continuation of the present grey area, and new rules that would partially legalize many recent restrictive practices, and truly outlaw only a few.

6. Were it not for the US Congress looming in the background, I would now expect Brussels to produce a typical vague international compromise resolution; to create a forum for continuing

negotiations on services, a GATS separate from GATT but closely linked to it; possibly some strengthening of GATT itself; and some tariff reductions, modestly tightened rules, and similar significant but small results.

7. But there loom the likelihood that the US Congress would not ratify minor changes to what it considers an overall unfair trading environment, and the threat of unilateral trade legislation. These might still impel the US itself, the EC, and others to overrule their protectionist lobbies. The reverse, however, now seems more likely: that major moves cannot be agreed, and that the US delegation (joined by the Cairns group) will reject a wishy-washy modest agreement. A GATS may still be created, because otherwise there would be no forum for continuing negotiations on services after the end of the Uruguay Round); and trade negotiations would then still continue, in GATT and GATS. But whatever little momentum is still present would be gone, or redirected to different frameworks: the EC itself and its concentric circles in Europe (EC, EFTA, East Europe) and in developing countries (various associates and the Lome Group); the US and the Americas.... Meanwhile, trade obstacles would mount in all the grey areas, thorough legislative mandate in the US, and through administrative interpretation in the EC. Not desirable prospects, but increasingly likely.

TRIUMPH OF THE POLITICS OF SECTIONAL INTERESTS?

8. Thus political weakness may again have defeated economic self-interest. Sectional economic interests have formed powerful and vocal political groups in favor of protection. Meanwhile, little seems to have been done anywhere to mobilize political public opinion in favor of free trade (except, in Europe, in the context of the Common Market). Even when the free traders win a tussle (as when Mme. Edith Cresson was removed from the Cabinet recently in France), no one tries to explain that protectionist policies in manufacturing only accelerate the loss of export markets (not to mention their costs to consumers). When throughout the summer French farmers made the news by burning trucks and ransacking government buildings, no one seized the opportunity to explain the limitations, drawbacks and costs of the common agricultural policy.

9. Without such political preparation, governments may never gather the courage needed to impose major new trade liberalization measures, which would necessarily harm significant political groups. While many developing countries engage in radical reforms, the old democracies seem to live in an era where the general good is overwhelmed by the sectional interests of active minorities.

Status of the GATT Uruguay Round before the Final Stretch
(end July 1990): Some Developing Country Perspectives

A. Summary

"Save the Uruguay Round" has been the plea in many headlines after the unproductive Trade Negotiations Committee (TNC) meeting last week: less than 15 weeks to go with no "profiles" of agreements on the table. The frustration of the participants was obvious after one week of political speeches and no negotiations. The 63 Japanese, 21 Thai and 16 Malaysians flown to Geneva had to return empty handed to their capitals.

Officially the failure of the TNC was blamed on the unwillingness of the US and EEC to negotiate. Exposing their differences about agriculture in public was feared to widen the gaps in other areas. The real issue may just be that the utmost complexity of the Round and the new areas just caught some politicians unprepared for the important decisions needed to push the Round forward. The appearance of only 16 Americans in the TNC raised questions about that country's real intentions despite the high profile given to the Round and "free trade" by the President. Certainly the EEC did not send the 31 Eurocrats and 148 national delegates just to see the Lake of Geneva.

Despite the apparent pessimism a more detailed look at the status of negotiations in the 15 groups gives some hope for a constructive outcome by December, although details would be worked out subsequently. The documents presented to the TNC vary in quality and content, but in most cases form a basis for intensified negotiations. Apart from the key sectors of agriculture and textiles, where most far-reaching political decisions are required, the remaining issues in most of the other groups seem solvable. In some (although minor) areas tentative agreements already exist. Most progress has been achieved in the improved GATT rules. Market access talks are lagging, but some progress in tariffs and NTBs can be expected in early fall. The most contentious remaining issues are dumping, TRIPs and coverage of services. The possibility for cross-retaliation between new areas and the traditional goods trade is also still unresolved.

Pessimism is also a negotiating tactic and a way of expediting domestic bargaining on the issues. The creation of a mini-crisis to push forward the talks was also the aim of the GATT Director General, Mr. Dunkel, during the TNC. Moreover, the negotiators seem to have been late in waking up their home bureaucracies to the actual consequences of the issues under

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discussion. (The World Bank may also want to think how to help her constituencies in the eventual implementation of the results). Solutions are also delayed by delegations linking all issues together and not wanting to reveal all of their cards until the last minute.

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First week of October: Group Chairmen to submit progress reports to GATT DG.

October 8: Drafting of final agreement starts. Senior official on call in Geneva.

October 15: Offer and compromises in place for market access and compromises on rules of origin, PSI, roll-back.

November 23: Draft final agreement in three official languages.

December 3: Finalization of the agreement in Brussels.

B. Progress in the Negotiating Groups

The divergent nature of world trade during the recent decade has not eliminated the traditional North-South groupings in the Uruguay Round, although differences do exist within the two extremes. The Cairns Group and the ASEAN with the Japanese at times have crossed the lines on some issues. The developed countries have tended to behave either as reformers of the trade rules (or policies) or as their reviewers. The US is the loudest reformer, and is at times joined by Canada or Australia and New Zealand. The Europeans (EEC, Nordics, Austria and Switzerland) are mostly willing to revise their policies. Japan is keen on stronger rules but keeps a low profile on most issues.

Developing countries were one of the "official pessimist" groups in the TNC. They spoke out their frustration at the current state of the Round, in which they have wanted to be active participants (their closer adhesion to the GATT system is one of the objectives of the Round). Despite obvious diversity at present they share a common stand on a number of issues. First, they dislike the proposed changes by some developed countries to restrict the use of the balance of payments clause; as long as access to markets for their goods remains constrained they need a safety valve for BOP crisis control. Second, they are concerned by the lack of transparency now characterizing the talks. Third, most LDCs want to maintain the MFN principle in all areas (especially in safeguards). Fourth, they oppose cross-retaliation in the new areas and possible cross-conditionality with enhanced cooperation with the Bretton Woods institutions. Fifth, the lack

of sufficient recognition for recent unilateral trade reforms in some LDCs by some developed countries is worrying. Sixth, liberalization of textiles trade and symmetry in the treatment of capital and labor in services are of concern to a number of LDCs.

Beyond apparent group cohesion the views of the LDCs on the Round are far from clear cut; they reflect their divergent trade interests. There are four major groups; the vigorous one of mainly ASEAN countries and Hong Kong, which are actively participating especially in issues relating to strengthening of the GATT rules. They are at times joined by other "liberalizing countries" like Mexico, Hungary or the Cairns Group countries on some issues. The vocal inward-looking group (led by India and occasionally Brazil) is against most revisions of rules or making of liberalization concessions. The third is a silent one of mainly Africans, which do not see much benefit from more liberal world trade. The fourth is the least developed countries (led by Bangladesh), which want all benefits without any concessions.

The following is a more detailed account of progress or lack of it in the negotiating groups in the four main areas of the Round: market access, rules, new areas and institutional issues.

I. Market Access:

"From free ride to fair ride" is the goal set by many developed countries for the developing ones in the Round. This is still resisted by the vocal group, which attaches great importance to the maintenance of special and differential treatment of developing countries. It is obvious that their more fragile markets can easily be disturbed by shocks, but the current abuse of the special treatment at the same time undermines the credibility of GATT. Many also fail to see liberalization as beneficial in the long run: GATT legal language also promotes the idea of liberalization as a "concession".

In general, current offers are far below the targets in all areas of market access. Many developing countries are expecting credit from their recent unilateral liberalizations. This was, however, lacking in some statements made during the meeting. The US pointed out the low level of market openings in offers by the LDCs in general and in the ASEAN countries in particular.

Tariffs (NG1). Most countries are currently engaged in intensive, time-consuming bilateral negotiations on tariffs. According to the Chairman of the Group 42 (covering most world trade) of the 107 participants had submitted proposals, which would amount to a 15 % average reduction from present levels. Much progress is needed before the October 15 deadline, if the Montreal goal of a 33 % reduction is to be achieved. The request-offer procedure tends concentrate attention to the major trading partners first.

Non-Tariff-Barriers (NG2). The Chairman stated that only 34 participants had submitted request lists covering issues like improved licensing etc. The real NTBs like VERs and other gray area measures are tackled indirectly by improved rules, safeguards and compliance with dispute settlement as they are formally outside the GATT.

The Chairman presented draft texts for negotiation on the two rule-making areas of the Group; preshipment inspection (PSI) and rules of origin. The aim is to achieve a clearer international discipline in these areas and to stop the use of the rules for protectionist purposes. Standardized rules of origin and a forum for dispute settlement in their application are considered important especially by Japan and a number of other Asian countries. Currently, exporters face different and changing rules depending on destination. In rules of origin, agreement is sought on the scope and place of the technical studies needed to determine the harmonized rules of origin. In PSI, which is mostly used in Africa, issues under discussion concern the exclusion from inspection of transactions below minimum thresholds or whose price or quality fluctuates substantially, place of inspection, process of price determination.

Market access negotiations have been especially disappointing to developing countries in the groups dealing with natural resource based products (NG3) and tropical products (NG6), where they see more potential for exports. Many developed country delegations link these to progress in other areas on market access. In the NRB group the EEC continues to anger some developing countries by maintaining its proposal to include access to resources and double-pricing on the agenda. This the developing countries consider to exceed the group's mandate. The real issue is access to fishing rights in high seas, which some developed countries would like to expand.

Textiles(NG4). This continues to be one of the cornerstones for developing countries in the negotiations. Benefits from liberalization are obvious. (GATT corridors are echoing recent WDR calculations of 10-20 % increases in exports for both NICs and a number of other developing countries if free trade in textiles is allowed). The Chairman presented a draft text reflecting agreement on the phasing out of the MFA over the coming decade, and disagreement on the modality and the types of transitional safeguards needed.

The views are still wide apart on the choice of global or MFA-based quotas for the phase-out and this is unlikely to be solved rapidly as progress depends on solutions in other areas. Most favourable outcomes would require over 6 % growth in current imports (current MFA rate) if liberalization is to improve the MFA status quo. Pessimists predict a MFA number five for 1991. Most countries favor the MFA based approach for the phase-out, which is the likely winner despite increased lobbying by US

interests and the recent Textile Bill. The global quotas (US and Canada) would concern imports from all countries and in the US would practically stop import growth. Another contentious issue is the insistence by the EEC on bilateral safeguards. These would worsen the situation and continue selective textile protection for years to come.

Agriculture (NG5). The Chairman presented his compromise text, which after lengthy talks was agreed as a basis for negotiations. Here the issues at stake are high for some developing countries: the success of the whole Round is made by many dependent on a solution in agriculture. Some other developing countries want to continue protecting agriculture, while other food-importing developing countries fear the adverse consequences of higher prices (Egypt, Bangladesh).

The most contentious issue is the way farm support is to be reduced. The EEC, most other Europeans and the NICs want a global measure of reduction, where one type of support can be weighed against another thereby giving more freedom in global support levels. The reformers (US, Cairns Group) want to concentrate on the elimination of the most trade distorting support first - export subsidies.

Despite the recent deadlock there are signs of progress. In Brussels many Eurocrats have canceled vacations and are working through August on reform proposals, and their leaders have started to flash figures in public. The media in some countries is starting to prepare the public for the consequences of likely changes in farm support after the Round. All countries are preparing lists quantifying support to the sector by October 1 and final offers by October 15.

II. Strengthening the International Trade Rules

A major objective of several, especially smaller and ASEAN, participants in the Round is the strengthening of the multilateral rules governing trade to reduce i) the extensive use of bilateral deals (VERs and other gray area measures) and ii) unilateral policing by larger CPs, which circumvent the multilateral system. Key areas considered are the reinforcement of the dispute settlement mechanism, and reduction in the number of exceptions and waivers allowed under the present rules. Considerable progress has already been made and can be expected in a number of issues, although real success can only be judged by actual compliance with the improved rules.

GATT Articles (NG7). The most contentious issue in GATT articles is the insistence of a number of developed countries to revise the BOP clause of the GATT. Import restrictions are currently allowed for developing countries if the BOP deteriorates substantially. The changes proposed would pose stricter conditions and limits on its use including the use of price versus quantity measures, improved procedures, clearer

criteria to qualify for it. Developing countries see no need for this as their market access and trading environment has not improved in recent years.

Draft texts and tentative agreements have been reached in several areas. All other similar duties will now be recorded in the schedules of tariff concessions (Article II:1b). Transparency of and non-discrimination by state trading companies (Article XVII) will be reduced. Waivers (or grandfather clause) (Article XXV:5) will be subject to stricter rules and eventually eliminated. A major achievement would be the elimination of a US waiver allowing agricultural protection since the 1950's.

MTN Agreements and Arrangements(NG8). This group has considered improvements to import licensing, government procurement, technical barriers to trade, and customs valuation Codes and rules of the GATT. In all these areas the Chairman was able to present a draft text for negotiations and no major obstacles should remain to finding a compromise in each of them. The issues under discussion are the shifting the burden of proof from Customs to importers in fraud cases, easing the accession to the government procurement code by allowing transitional membership, improved exchange of information and technical assistance to developing countries in customs information in general.

The real contentious issue in this group is the improved rules on dumping. The Acting Chairman's (Mr. Carlisle, a Deputy Director of GATT) compromise text was considered unsuitable for negotiations. At odds are Japan and several ASEAN countries with the EEC and the US. The former promote stricter rules to stop the use of AD duties for protectionist purposes. The latter insist on the need to extend the coverage of the rules to new areas like circumvention dumping, repeat dumping etc. Despite earlier hopes that the Chairman's text would satisfy the two sides no immediate agreement seems in sight.

Safeguards(NG9). Many smaller countries have maintained hopes that improved general safeguards would reduce gray area measures in trade. Current GATT rules allow them against imports from all sources, if they cause injury to a domestic industry. The measures are subject to compensation and retaliation. The power of smaller countries to use these measures is undermined by the negligible impact of their retaliation on others and by the large impact of retaliation by others on them.

Most countries agree on the need for clearer rules for injury and some other provisions. Agreement is blocked by the EEC insistence of using the measures selectively, i.e. against specific sources of the injurious imports. This is unlikely to be accepted as it would undermine the strong MFN principle of the GATT.

Subsidies and Countervailing Duties (CVDs)(NG10). Frequent

use of CVDs for protectionist purposes calls for clearer rules in this area. The Chairman has prepared a draft text as a basis of negotiations, which contains a list of forbidden subsidies (a revised illustrative list of the Subsidy Code, linked to export performance and use of domestic versus imported goods), actionable subsidies and non-actionable subsidies, and improved procedures for determining the CVDs. The dividing line between the groups of subsidies is a measure's likelihood to distort trade.

Agreement can be within reach if further compromise is reached between the developing countries wishing to retain the right to use subsidies for development purposes and the US wanting to ban most subsidies. Other "review"-oriented developed countries would seem happy with a list of allowed and forbidden subsidies.

Dispute settlement(DPS) (NG13). Compliance with current procedures is notoriously inadequate, although there are genuine signs for changing attitudes. For example, the Japanese, who have mostly accepted bilateral arrangements in trade disputes, for the first time tried out the GATT Panel in the recent screwdriver case. Also other participants have showed improved compliance with Panel reports recently.

Agreement in improved DPS seems to be in the making. The chairman's text foresees faster examination of complaints, and prompt implementation of the rulings. The proposed appeals process would allow automatic adoption of Panel reports. Implementation could be improved by imposing time limits or introducing a right to retaliate for the injured country.

III. New Areas

New areas were introduced to the Round by a number of developed countries who felt that too much world trade is outside the international rules. Services are estimated to account for about third of total world trade. The importance of intellectual property in trade flows has also increased; the US claims that it loses at least 60 billion dollars yearly from uncontrolled transfer of intellectual property rights across borders. Foreign investment has increased and thereby the concern for distortive and restrictive local rules on investment.

Many issues in these areas remain still open. Of major concern are also the links of the new areas with each other or with the traditional trade - positions on possibilities for cross-retaliation are not yet clear.

Trade Related Intellectual Property (NG11). The need for international rules in this area is pushed by developed countries: patent piracy, counterfeiting and other forms of theft of copyright is assumed to take a large share of potential trade. Developing countries fear that tighter rules in this area would

hinder their development and transfer of technology. Two major international conventions exist in the area, the Berne one for copyright and the Paris one for industrial designs. These and other TRIPs were traditionally handled in the WIPO. Lack of clear rules for their implementation and dissatisfaction with the organization led to the introduction of the issue in GATT.

The chairman's draft contains two basic approaches: a developed country one with GATT related rules in all seven areas covered (trade marks, patents, copyright, integrated circuits, industrial design, geographical origin, business secrets); and a developing country one, in which trade in counterfeited goods would be under GATT disciplines but all other would be treated separately in relevant international organizations and in national laws.

TRIPs has become one of the contentious issues in the Round. Surprisingly not only on North-South lines but among the developed countries as well. They cannot agree on topics like copyright, where the US wants it to cover only economic rights and not those of the author (at stake are, for example right of a licensee to change films); whether the author is a legal or natural person, or whether patents belong to the first filer or to the inventor, right to link food products to a name of a geographical region.

Trade Related Investment Measures(NG12). Trade has been distorted by domestic purchase requirements, export targeting etc., which are imposed on foreign investors seeking licenses in international markets. These are often used to circumvent GATT obligations. The topic was included in the agenda by the US request to reinforce international rules in the area and to provide more transparency, non-discrimination and an arena for dispute settlement.

The Chairman's text covers three separate proposals: the compromise text, the US text and one submitted by 12 developing countries and supported by China and Sri Lanka. The Chairman's text proposes that some TRIMs should be applied in a tempered manner, while a number of others should be eliminated. The developing countries proposal states that most TRIMs are needed for development purposes, and that existing GATT disciplines are enough to deal with them.

Current negotiation positions reflect a situation from early 1980's, which has changed substantially. This makes it difficult to predict a likely outcome, but the Chairman's text may win support as US Congress is less likely these days to be fully liberal in this respect. The dominance of the EEC and Japan in investments has increased and the US in the meantime has become a net importer of capital facing increased domestic pressures for tighter rules.

Services (GNS). The chairman presented a text for a basis

of negotiations. In a cover note, however, a footnote tells that the coverage issue remains unsolved. Some countries (US, Japan) want to exclude some sectors like financial services or transport from the coverage of the framework agreement. Most others support universal coverage. The text itself contains a large number of loopholes on unresolved issues like structure of the agreement, which need to be rapidly solved. Coverage is the stumbling block and reflects the inability of US and Japanese negotiators to convince several domestic lobbies about joining a multilateral discipline in services. Another contentious issue on the North-South lines is the so-called symmetry of labor and capital services in the agreement. The developing countries want to secure free trade in labor services in exchange for opening up their financial sectors to international capital.

As the issue on the table is a totally new international framework, which carries on to the next century, most developed country participants feel that it is better to achieve a strong agreement than none at all. This despite the fact that in this case some countries may not join immediately. Actual liberalization could then be achieved gradually in subsequent negotiations. Once the coverage issue is solved, a likely outcome is an agreement among the developed countries on basic principles to which developing countries either make numerous reservations or do not adhere at all.

IV. Institutional

FOGS (NG14). Many delegations want to prop up the GATT as an organization to increase its prestige and leverage in general and in dispute settlement in particular. A stronger Secretariat would be a necessary complement to stronger rules. It is also felt that the status of GATT as a treaty and its impact on domestic laws needs to be resolved.

Although important in principle, in practice FOGs is a residual group for many delegations; in the words of one participant "people only think about FOGs two days before the meeting". This lack of attention and the fact that institutional issues are better being solved once the Round is over and its results are known, delays progress.

The delegations agree on a reinforced GATT in principle, on more frequent Ministerials, the need for policy coherence and better relations with the Bretton Woods institutions. Disagreement are on modalities, which are likely to be solved in due time. Agreement is likely to contain some support for renewed GATT, informal collaboration with the Washington IFIs, and some arrangement for a support group for Ministerial meetings.

ANNEX

The sixteen fields (14 negotiating groups and the surveillance body of the GNG, the GNS) covered by the Trade Negotiations Committee ~~meeting~~ and the respective chairmen are listed below in the chart on the structure of the Uruguay Round:

THE STRUCTURE OF THE URUGUAY ROUND:

Trade Negotiations Committee (TNC)#: Arthur Dunkel, GATT

* Group of Negotiations on Goods (GNG)#: Arthur Dunkel, GATT

- | | |
|---|---------------------------------|
| - Surveillance Body | M.G Mathur, GATT |
| - NG1: Tariffs | Lindsay Duthie, Australia |
| - NG2: Non-Tariff Measures | Lindsay Duthie, Australia |
| - NG3: Natural Resource Based Products # | Lindsay Duthie, Australia |
| - NG4: Textiles and Clothing | Lindsay Duthie, Australia |
| - NG5: Agriculture | Aart de Zeeuw, Netherlands |
| - NG6: Tropical Products | Paul Leong Khee Seong, Malaysia |
| - NG7: GATT Articles | John Weekes, Canada |
| - NG8: MTN Agreements and Arrangements | Chulsee Kim, Rep. of Korea |
| - NG9: Safeguards | George A. Maciel, Brazil |
| - NG10: Subsidies and Countervailing Measures | Michael D. Cartland, Hong Kong |
| - NG11: TRIPS | Lars E.R. Anell, Sweden |
| - NG12: TRIMS # | Tomohiko Kabayashi, Japan |
| - NG13: Dispute Settlement | Julio Lacarte-Muro, Uruguay |
| - NG14: Functioning of the GATT System # | Julio Lacarte-Muro, Uruguay |

* Group of Negotiations on Services (GNS)#:
Felipe Jaramillo, Colombia

- Bodies where the World Bank has observer status.

OFFICE MEMORANDUM

1) MH
2) BOC
✓/r
3) CP
(file)

DATE: July 12, 1989

TO: Memorandum for the Record

FROM: Paul M. Meo, Chief, IECIT

EXTENSION: 33802

SUBJECT: Luncheon Meeting of President Barber B. Conable with Mr. Arthur Dunkel, Director General of the GATT, July 11, 1989

1. On July 11, Mr. Conable, accompanied by Messrs. Hopper, Fischer, Baneth, Shakow, Siebeck and Meo met with Messrs. Arthur Dunkel, Mathur and Hussain of the GATT Secretariat. Mr. Dunkel had been requested at Montreal to approach the heads of the Fund and the World Bank and report on ways to improve IBRD/IMF/GATT collaboration. The luncheon was his first approach on this issue.

2. Mr. Conable began the lunch by introducing Jean Baneth, the new Director of the expanded Geneva office, stressing the importance the Bank gave to the Uruguay Round. He also congratulated Mr. Dunkel on the successful conclusion of the April Trade Negotiation Committee meeting. Mr. Dunkel praised the work of Wolfgang Siebeck, the Bank's departing Special Representative, and then turned to the Uruguay Round. He believed there were many positive steps agreed to between December 1988 and April this year. He mentioned not only the decision to go forward with the final phase of the negotiation but agreement on a Trade Policy Review mechanism, more frequent meeting of Ministers, agreement to reduce tariffs and protection on US\$50 billion worth of tropical products, and a revised dispute settlement procedure. He hoped by December 1989, there would be a fairly clear and agreed framework for the final year of negotiations.

3. On the specific points of his forthcoming study for the FOGS Group, Mr. Dunkel mentioned some procedural points first. He stressed that the Bank and GATT relationship should remain informal. His report which had been due September 1 might slip to September 15 and even then would likely not be in final form. He indicated that he would put in the September report the positions of the Bank and Fund, along with his own personal position. Since the report was a result of a mandate that he approach the "heads" of the Fund and the Bank, he would prefer that the report reflect the positions of Messrs. Conable and Camdessus, not their Boards. Finally, he wanted to downplay the issue of the presence of the GATT Director General on the Interim Committee.

4. Mr. Dunkel then reviewed some specific proposals made at the FOGS. He believed the Bank could benefit from GATT's assistance in

improving the coherence of our reports and work (he mentioned, as an example, that GATT's knowledge of existing restraint agreements on the steel trade might be helpful in assessing investments in steel mills). He indicated that those countries adjusting to the revised situation after the Uruguay Round would welcome our financial support. Some could also use GATT/Bank technical assistance for developing a capacity for multilateral trade negotiations in their trade ministries. Finally, he believed there are steps we should take to improve the GATT-consistency of Bank/Fund suggested trade reforms. He specifically mentioned the Bank's antidumping advice and occasional support for export subsidies as areas where closer collaboration should exist. He believed the "credit" issue remains outstanding and should be examined. He believed the new country Trade Policy Reviews were a possible collaboration area, but mentioned this would have to be extremely discreet since some developing countries will fear cross-conditionality. Regarding the Trade Policy Reviews, Mr. Dunkel said he was prepared to be fairly tough on developed countries, but not so tough on developing countries, given the already strong Bank/Fund emphasis on them. Both Messrs. Conable and Dunkel stressed that formal collaboration would be enhanced as we work through our respective, assigned liaison staff, John Croome for the GATT and Jean Baneth for the Bank.

5. Mr. Conable summed up that he did not see any problems with the issues stressed by Mr. Dunkel. We should "stay close but loose" and the Bank would try to keep its position relatively consistent with that of the Fund's. Mr. Dunkel stated that Mr. Croome will be preparing a first draft of the report and ensuring that the parts reflecting Mr. Conable's views be seen by us before end-July, and the full draft would be reviewed before circulation.

cc: Messrs./Mmes. Conable, Hopper, Fischer, Baneth, Dubey, Shakow
Haug, Siebeck, Meo, IECIT Staff

PMeo:llt

GATT MH
1:00

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/07/07 DUE DATE : 00/00/00
LOG NUMBER : 890710011 FROM : A. Shakow (DH)
SUBJECT : BRIEFING: GATT - lunch meeting with Mr. Arthur Dunkel, Director-
General, on Tuesday, July 11, 1989 at 1:00 pm
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :cc: Mrs. Haug

OFFICE MEMORANDUM

DATE: July 7, 1989

TO: Mr. Barber B. Conable

THROUGH: Mr. W. David Hopper, SVP

FROM: Alexander Shakow, SPR

EXTENSION: 34697

SUBJECT: GATT: Your Lunch Meeting with Mr. Arthur Dunkel,
Director General of GATT, 1:00 pm., Tuesday, 11 July

1. Mr. Dunkel was asked at Montreal to prepare by September 1 a report on one aspect of the Functioning of the GATT System (FOGS), how to improve coordination between the GATT and the Bretton Woods Institutions. In preparing this report, Mr. Dunkel is expected to consult with you and Mr. Camdessus; your lunch with him is part of that process. Work on the report was delayed when the main negotiations were stalled at Montreal. Mr. Dunkel is likely to seek a two- or three-month extension to the September 1 deadline. He will, therefore, not expect to reach final agreement on any points during your lunch, and will probably suggest a further meeting with you, perhaps at the time of the Annual Meetings.

2. To start the discussion, we suggest you should:

- Congratulate Mr. Dunkel on his success in bringing the mid-term review to a conclusion in April.
- Stress your (and the Bank's) interest in the Round, explain why we are expanding the Geneva Office, and introduce Mr. Baneth.

3. We have reviewed within the Bank and discussed with GATT staff various proposals for closer Bank/GATT collaboration. While they should not be finalized at this stage, you might try out the following ideas on Mr. Dunkel:

A. To ensure consistency between Bank Operations and GATT rules 1/

- a. Systematic institutional training in both Bank and GATT (two GATT staffers to teach at a Bank workshop in October; visit of EAS staff to Geneva later this year).

1/ To ensure consistency between Bank loan provisions and GATT rules is the formal responsibility of the country concerned. To avoid the impression that this responsibility could be diluted, in future Operations Committee should require that appropriate loan packages ascertain that the borrower has ensured consistency of its commitments with GATT.

- b. Bank Geneva Office to provide grey cover reports to GATT immediately upon circulation to Board.
 - c. Bank to provide monthly list of upcoming trade operations; GATT to provide monthly schedule of trade policy reviews.
- B. The Bank will continue supporting trade liberalization through lending, specifically,
- a. We are ready to finance adjustment requirements resulting from Uruguay Round negotiations (e.g., to encourage a supply response in countries currently importing subsidized US/EC grains if the Uruguay Round leads to higher world grain prices due to the phase-down of subsidies. Similarly, a country that negotiates significantly downward its tariffs may face adjustment needs suitable for Bank financing).
 - b. We will finance technical assistance to build up country capacity to analyze multilateral trade policy issues.
- C. We believe the Bank and GATT should step up exchange of data and information in other areas
- a. We already are giving the Secretariat access to our Basic Economic and Social Database (BESD) and could expand on this.
 - b. The Bank and the Secretariat should more closely cooperate in the preparation of trade projections, and the Bank should be provided use of GATT's Integrated Data Base (IDB).
 - c. The Bank will allow GATT the use of its SMART software and stands ready to help expand it to meet specific needs of the Secretariat.
- D. The Bank will support the Secretariat in its background work for Trade Policy Reviews of Developing Countries. While we will assist those countries that ask in preparing their reports, details and procedures will evolve as this new GATT activity gets underway.
- E. Credit to Developing Countries for Trade Liberalization Measures taken under Bank/Fund Adjustment Programs. To avail themselves of such credit, we believe developing countries should be ready to bind their tariffs in GATT. So far, only Chile, Mexico and recently Bolivia have done so in an important way. We are looking forward to be associated with a discussion of this issue in the FOGS group.
4. We do not believe, and do not expect Mr. Dunkel does, in an intricate consultation structure to be established at the Senior Management Level. Your fairly frequent informal meetings with Mr. Dunkel, complemented by more regular contacts at all levels of staff

and middle management, plus the enlarged Bank presence in Geneva should go a long way towards ensuring a very effective cooperation. If GATT opens an office in Washington, this would help as well.

5. You may want to raise one final point. The Bank is currently observer (officially we are titled "participants") in four out of 15 negotiating groups and in two supervisory groups. We have not been admitted into the Group on Agriculture and some others of key interest to the Bank (tariffs, non-tariff measures, textiles and clothing, subsidies). Please advise Mr. Dunkel that we have reviewed this with delegates of major Contracting Parties and believe that a majority now would accept our broader observer/participant status. We will pursue our efforts to gain it.

6. Mr. Dunkel may bring up the question of GATT's observer status at Bank/Fund Annual Meetings. In 1979, GATT lost its observer status along with all UN agencies over the PLO attempt to obtain observer status. There is no change from this position. In the Development Committee, of course, Mr. Dunkel has a special position by attending the restricted sessions.

7. We will brief you separately on the position taken by the IMF in their discussions with GATT representatives.

cc: Messrs. Qureshi, Fischer, Dubey/Levy, Baneth (o/r), Siebeck, Meo
Carter, Krishna

AShakov/PMeo/WSiebeck/MCarter:llt

7/11
GENERAL AGREEMENT ON TARIFFS AND TRADE

The Director General

GENEVA

28 JUN 1939

Dear Mr. Conable,

Thank you for your letter of 15 May. I am very glad to know that I can count on your assistance in responding to the CONTRACTING PARTIES' request that I explore possibilities of strengthening GATT's relationship with the Bank.

We have transmitted to the Bank, through your Geneva office, an informal note on proposals put forward by governments on this subject in the Uruguay Round, and I understand that Mr. Siebeck has made arrangements for a round of staff-level discussions in Washington at the beginning of July. The GATT participants will be Mr. M.G. Mathur, Deputy Director-General, and Mr. John Croome, Director, Trade and Finance Division. I hope that these discussions will provide a firm basis for us to have a first exchange of views on these matters when we meet on 11 July.

With kind regards,

Yours sincerely,



Arthur Dunkel

Mr. Barber B. Conable, Jr.
The President
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

OFFICE MEMORANDUM

DATE: July 10, 1989

TO: Files

FROM: Paul M. Meo, Chief, IECIT

EXTENSION: 33802

SUBJECT: IMF Positions re FOGS Proposals

I was recently informed that the positions of IMF staff regarding various FOGS proposals (not in order of importance) are:

1. The GATT Director-General is unlikely to be accorded observer status on the Interim Committee (he already has such status on the Development Committee) since there are no observers and the Committee is unlikely to wish to establish a precedent.
2. The Fund programs should suffice to ensure that if a developing country got into balance of payments trouble as a result of Uruguay Round-negotiated tariff or NTB reductions, it would receive timely and supportive assistance. No new program would be envisaged.
3. While gratified that the GATT staff believe no more IMF data will be needed, the IMF staff would like to gain access to information generated by the Trade Policy Reviews and the Integrated Data Base.
4. The Fund has no firm position on collaboration via the new Trade Policy Review, but would be prepared to assist a developing or other country that requested its assistance in preparing the country report on trade policies.
5. While it has no position (or solution) to the very complex "credit" issue (whereby developing countries that undertook Bretton Woods-assisted trade reforms would gain "credit" during the Round), Fund staff are quite prepared to continue discussing and analyzing this issue.
6. The Fund takes a dim view of formal, frequent interchanges of higher level GATT/Fund managers; this will be the job of its Geneva office.

cc: Messrs. Conable, Hopper, Fischer, Baneth, Shakow, Siebeck

PMeo:llt

MaConable
GATT

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

May 25, 1989

Dear Mr. Dunkel:

Thank you for your letter of May 12 concerning the report which GATT Contracting Parties have asked you to prepare on the relationship of GATT with the relevant international organizations.

We would of course be most happy to collaborate fully with you in this important task. Your proposal that the first step should be an exchange of views at staff level certainly seems the best way to proceed. Arrangements could be made through our Special Representative in Geneva, Mr. Wolfgang Siebeck.

With kind regards.

Sincerely,

(Signed) Barber B. Conable

Mr. Arthur Dunkel
Director-General
General Agreement on Tariffs
and Trade (GATT)
Centre William Rappard
154, rue de Lausanne
1211 Geneva 21
Switzerland

MCarter/pp

cleared with & cc: Mr. P. Meo
cc: Messrs. Kelly (IMF), Meo, Carter

Siebeck

GENERAL AGREEMENT ON TARIFFS AND TRADE

The Director General

GENEVA

12 MAY 1989

Dear Mr. Conable,

I am writing to you and to Mr. Camdessus as a result of a decision taken on 12 April by the GATT CONTRACTING PARTIES, on the recommendation of the Trade Negotiations Committee. The decision invites me:

"to approach the heads of the IMF and the World Bank, as a first step, to explore ways to achieve greater coherence in global economic policy making through strengthening the relationship of GATT with other relevant international organizations".

I am asked to report back by 1 September 1989, and to take into account in my report the views, issues and proposals raised in the context of the Uruguay Round negotiating group on the Functioning of the GATT System.

As the Bank is represented in this negotiating group, you have no doubt been informed of the discussions that have taken place in the group on possible ways of strengthening the relationship of GATT with other international organizations responsible for monetary and financial matters, as well as, more specifically, of the proposal that I should consult you on this subject.

The proposals and ideas which have been put forward range very widely. At this stage, however, it seems to me that what is needed is an exchange of views on three broad issues: the policy concepts regarding the interaction between trade, monetary and financial issues that underlie the notion of greater coherence in global economic policy-making; the

Mr. Barber B. Conable, Jr.
The President
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

possibilities and limits of institutional cooperation in this area; and what could realistically be attempted by way of strengthening institutional cooperation. Such an exchange of views would permit me to make a report which would allow the specific proposals and ideas put forward in the negotiating group, as well as such other points as may emerge from our discussions, to be pursued with a full understanding of all the considerations that need to be taken into account.

I am very conscious of, and grateful for, the consistent support which you have given to the pursuit of the Uruguay Round. I know that this support is rooted in your recognition of the close interrelationship between the conduct of trade policy on the one hand and the international monetary and financial situation on the other. I trust therefore that I can count on your help in responding to this extremely relevant request from the CONTRACTING PARTIES.

If you agree, I suggest that the most fruitful approach to this matter might be an initial exchange of ideas at staff level in the near future, in Washington. This could provide a concrete basis for subsequent discussion between ourselves.

With kind regards,

Yours sincerely,



Arthur Dunkel

Rec'd in SPRTE 5/23/89
me

WORLD BANK OTS SYSTEM
Office of the SVPPR

CORRESPONDENCE DATE : 89/05/12

DUE DATE : 89/05/31

LOG NUMBER : 890522001

FROM : DUNKEL: ARTHUR, GEN.

SUBJECT : L - GATT: DECISIONS TAKEN ON AGR 12 & REQUESTING RECOM FROM HEADS
OF IMF/WB

OFFICE ASSIGNED TO FOR ACTION : Mr. Alex Shakow

ACTION:

____ APPROVED
____ X PLEASE HANDLE
____ FOR YOUR INFORMATION
____ FOR YOUR REVIEW AND RECOMMENDATION
____ FOR THE FILES
____ PLEASE DISCUSS WITH _____
____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
____ AS WE DISCUSSED
____ RETURN TO _____

COMMENTS : PLEASE PREPARE RESPONSE FOR BBC'S SIGNATURE. SHAKOW TO HANDLE
BY DUE DATE. SHOULD CONSULT WITH FISCHER.

CC: Mr. Fischer for info.

896522001

MH

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

8/5/22

CORRESPONDENCE DATE : 89/05/12 DUE DATE : 89/05/31
LOG NUMBER : 890517015 FROM : Arthur Dunkel
SUBJECT : GATT: decisions taken on Apr 12 and requesting recommendation
from heads of IMF/the World Bank.
OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :

EXPEDITE

*SHAKOW TO HANDLE
BY DUE DATE
SHOULD CONSULT WITH
FISCHER.
cc: FISCHER.*

Uruguay Round Negotiating Group on the Functioning of the GATT System:
documents relevant to negotiating objective (iii)

A. Reports of substantive discussion in the Group on objective (iii)

MTN.GNG/NG14/1	Meeting of 7 April 1987	paragraphs 9-10
MTN.GNG/NG14/3	Meeting of 28 September 1987	paragraphs 2-6
MTN.GNG/NG14/4	Meeting of 30 November 1987	paragraphs 16-20
MTN.GNG/NG14/5	Meeting of 25-28 January 1988	paragraphs 13-17
MTN.GNG/NG14/6 (and Corr.1)	Meeting of 21-23 March 1988	paragraphs 8-19
MTN.GNG/NG14/7	Meeting of 2-3 May 1988	paragraphs 2-11
MTN.GNG/NG14/8	Meeting of 20-22 June 1988	paragraphs 3-20
MTN.GNG/NG14/9	Meeting of 26-30 September 1988	paragraphs 3-13
MTN.GNG/NG14/10	Meeting of 24-28 October 1988	paragraphs 18, 26-29

B. Secretariat working documents

MTN.GNG/NG14/W/6	GATT, The International Monetary Fund and The World Bank: Mandates, Institutional Relationships and Fund-Bank Arrangements for Ministerial Involvement
MTN.GNG/NG14/W/12	The 1954/55 Review Session

* "Negotiations shall aim to develop understandings and arrangements: [...] (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" (Punta del Este Declaration of 20 September 1986, Part I, E(iii)).

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MESSAGE NUMBER

TEST NUMBER
(FOR CASHIER'S USE ONLY)

3 MR. ARTHUR DUNKEL, DIRECTOR-GENERAL, GENERAL AGREEMENT ON TARIFFS
 4 AND TRADE, GENEVA 21, SWITZERLAND
 5 (TELEX 28 787)
 6 CONGRATULATIONS FOR HAVING BROUGHT TO SO SUCCESSFUL A CONCLUSION
 7 THE CONSULTATIONS IN MONTREAL. THROUGH YOUR LEADERSHIP,
 8 PERSEVERANCE AND UNFAILING PATIENCE, YOU HAVE NOT ONLY AVERTED A
 9 BREAKDOWN OF THE MULTILATERAL TRADING SYSTEM BUT GREATLY ENHANCED
 10 HOPE THAT THE URUGUAY ROUND WILL PRODUCE A MUCH IMPROVED SYSTEM,
 11 WHICH AMONG OTHER THINGS WILL BETTER SERVE THE INTERESTS OF THE
 12 DEVELOPING COUNTRIES. MY BEST WISHES FOR FURTHER SUCCESS WITH THE
 13 NEGOTIATIONS. BARBER B. CONABLE, PRESIDENT, THE WORLD BANK.

21 END
OF
22 TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX		TELEX NO.: 28 787 Geneva	DATE: 4-10-1989
SUBJECT: Consultations in Montreal		DRAFTED BY: Mr. Carter/McLaughlin	EXTENSION: 32103
CLEARANCES AND COPY DISTRIBUTION: cc: Messrs. Shakow Carter		AUTHORIZED BY (Name and Signature): Barber B. Conable, President	
		DEPARTMENT: EXC	
SECTION BELOW FOR USE OF CABLE SECTION			
CHECKED FOR DISPATCH			

MA

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/04/10

DUE DATE : 00/00/00

LOG NUMBER : 890410013

FROM : Mr. Shakow (DH)

SUBJECT : Uruguay Round Back on Track.

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE ~~PREPARE RESPONSE~~ FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

*on the attached
Telex*

COMMENTS :

ROUTING SLIP		DATE: April 10, 1989	
NAME		ROOM NO.	
Mr. Barber B. Conable		E-1227	
(through W. David Hopper)		D-1202	
APPROPRIATE DISPOSITION	NOTE AND RETURN		
APPROVAL	NOTE AND SEND ON		
CLEARANCE	PER OUR CONVERSATION		
COMMENT	PER YOUR REQUEST		
FOR ACTION	PREPARE REPLY		
INFORMATION	RECOMMENDATION		
INITIAL	SIGNATURE		
NOTE AND FILE	URGENT		
REMARKS:			
<p>Please note request at end of memo for a telex to be sent to Mr. Dunkel</p> <p>Thanks Alex</p>			
FROM: <i>Alex</i> Alexander Shakow, SPR	ROOM NO.:	EXTENSION:	
J-3073	34697		

OFFICE MEMORANDUM

DATE: April 10, 1989

TO: Mr. Barber B. Conable
(through W. David Hoppet) *W.D.H.*

FROM: Alexander Shakow, Director, SPR *AS*

EXT: 34697

SUBJECT: Uruguay Round Back on Track

Having negotiated around the clock for three days and nights, Uruguay Round negotiators agreed on Saturday afternoon (April 8) on a framework for the subsequent negotiations on the four subjects which, as you recall, had remained unresolved in Montreal. This represents a major advance in the efforts to instill new life into the GATT-based multilateral trading system, efforts which had been seriously jeopardized in Montreal. It is also a major personal triumph for Mr. Arthur Dunkel who chaired the negotiations on the four subjects and who spared no efforts to prod on negotiators when, at times, prospects for agreement looked bleak. Interestingly, the agreement was finally reached among senior-level officials where ministers in Montreal had failed to do so. Delegations in Geneva generally see Mr. Dunkel's stature as having been considerably enhanced in this recent phase of negotiations. This in itself may be a good omen for the further conduct of the Round.

In substantive terms, the results of last week's meeting in Geneva can be summarized as follows:

Agriculture

The long-term objective now agreed will be to reduce farm subsidies over time. The U.S. gave up earlier on its somewhat maximal demand for the total elimination of farm subsidies within a specified period of time. The reduction now agreed is to be "substantial" and to be sustained over a period of time. To negotiate details as to how this is to be done, as well as a timeframe, will be the main task of negotiators during the remainder of the Round. At the insistence of the Cairns Group, which cut back on many of its demands, negotiators set themselves a detailed work program for this task.

In the short-term, i.e. between now and the end of the Round which is still to conclude by the end of next year, parties agreed to freeze support to agriculture at current levels. This was the toughest part of the bargain, which the EC adamantly opposed to the last after it had itself in Montreal called for such short-term measures and opposed any long-term agreement. The terms of the freeze still allow the EC flexibility in its application but only in respect of one and the same product. Thus, it will not be allowed to "re-balance" protection by, for instance, stepping up support to European oil seed farmers and reducing protection on other products. This is a major breakthrough because, for the first time, it forces some discipline on the way the EC applies its Common Agricultural Policy, and checks some of its arbitrary trade effects, which now can be monitored in the GATT. It will be of major benefit to developing countries.

Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The developing countries, who had almost all united behind Brazil and India in their opposition to rules and standards for TRIPS to be set in the GATT, finally relented. In exchange, they obtained a concession that TRIPS negotiations will effectively be put on a separate track. Like for Services, negotiators will only decide at the very end of the Round if TRIPS will come under GATT rules (thus allowing to retaliate for TRIPS violations with general import restrictions), or the World Intellectual Property Organization (WIPO) which has no means of policing TRIPS violations.

Textiles and Clothing

Developing countries gave up on their insistence for a legal freeze which would have protected them from further quota restrictions under the current Multi-Fibre Arrangement (MFA). They only obtained a commitment from importing countries to negotiate a phase-out to be implemented after the end of the Round. However, how long the phase-out will take, the agreement does not say, and thus offers little improvement over the 1986 Punta del Este Ministerial Declaration.

Safeguards

Well short of a prescription of any selective defences against import surges, and of "grey area" measures such as voluntary export restraints, which the developing countries had wanted, developing countries only obtained a reaffirmation of "basic GATT principles" including the so often violated non-discrimination rule. In exchange, however, they obtained the right for the Chairman of the Group (who significantly is a Brazilian) to prepare a draft agreement on Safeguards which at least would allow them some control over the negotiating process and to counter attempts at procrastination which have previously marked work in the Negotiating Group on TRIPS.

Assessment

Concessions on the four subjects were mainly made by the U.S. and the Cairns Group on Agriculture, and by developing countries on the other three subjects. Overall, one should recognize, however, that developing countries generally saw the survival of the multilateral trading system as critical and the resumption of the Round as a major priority. It should also be noted that all other agreements tentatively reached in Montreal but then "put on hold" are now operative. In its meeting next Wednesday, the GATT Council will put into immediate effect new rules for Dispute Settlement and for the periodic Trade Policy Review. These two measures in themselves will be important to strengthen the GATT system.

I believe it would be a nice gesture for you to send a brief telex to Mr. Dunkel acknowledging his great personal efforts and congratulating him on his success. A draft is attached for your approval.

Attachment

WDIAL
.SPRIE
DINFO

-SUBJECT: URUGUAY ROUND
-DRAFTED BY: MR. WOLFGANG SIEBECK
-AUTHORIZED BY: BARBER B. CONABLE *P. B. Conable*
-CC:

845 28787 =
-UNATIONS, GENEVA, SWITZERLAND
-

BT
WASHINGTON D.C. 10-APR-1989
PLEASE ACCEPT MY WARMEST CONGRATULATIONS AT HAVING BROUGHT TO SO
SUCCESSFUL A CONCLUSION THE CONSULTATIONS WHICH TRADE MINISTERS HAD
ENTRUSTED YOU WITH IN MONTREAL. THROUGH YOUR LEADERSHIP,
PERSEVERANCE AND UNFAILING PATIENCE, YOU HAVE NOT ONLY AVERTED A
BREAKDOWN OF THE MULTILATERAL TRADING SYSTEM BUT GREATLY ENHANCED
HOPE THAT THE URUGUAY ROUND WILL PRODUCE A MUCH IMPROVED SYSTEM,
WHICH AMONG OTHER THINGS WILL BETTER SERVE THE INTERESTS OF THE
DEVELOPING COUNTRIES. PLEASE ACCEPT MY BEST WISHES FOR FURTHER
SUCCESSFUL CONDUCT OF THE NEGOTIATIONS. REGARDS, BARBER B. CONABLE,
PRESIDENT, IBRD. INTBAFRAD.

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

Dear Mr. Dunkel:

On behalf of the Bank's Executive Directors, I should like to again thank you for your key participation in their recent colloquium on the Uruguay Round. Not only did they welcome your thoughtful and sensible remarks on such a key item, they greatly appreciated your candid responses to their direct questions.

I, personally, also appreciated the chance to learn at lunch of your evaluation of the Round's progress and your plans for the future. A successful Round -- which we all support -- will owe much to the efforts you are still undertaking. A closer collaboration between the GATT and the World Bank Group, however, is virtually assured, thanks to the efforts you have already made.

Sincerely,



Mr. Arthur Dunkel
Director General
GATT
Centre William Rappard
Rue de Lausanne 154, CH-1211 Geneva 21
Switzerland