

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Regional Integration

Communication from Japan

The following communication, dated 17 June 1999, has been received from the Permanent Mission of Japan.

Proposal

1. Japan shares the view expressed in the proposals submitted by other WTO Members that the WTO Agreement should ensure in an affective manner the consistency of the regional trade agreements with the principle of the multilateral trading system. The lack of progress in the examination of regional trade agreements should not, therefore, become a source of distrust for maintaining the primacy of the multilateral trading system. Japan thus proposes that the work to clarify the meaning of the provisions of Article XXIV of the GATT and Article V of the GATS, as well as that to strengthen the future examination procedures on regional trade agreements be included in an appropriate manner in the next negotiations.

Background

2. The depth and extent of regional integration has far exceeded what was originally expected at the time when Article XXIV of the GATT was formulated. The "non-discriminatory principle", which is one of the key principles of the WTO Agreement, must be properly maintained for the credibility of the WTO system itself. Moreover, the Singapore Ministerial Declaration clearly reaffirms the primacy of the multilateral trading system. It is, therefore, vital for the system to ensure that regional trade agreements remain consistent with the WTO Agreement.

3. During the GATT period, the examination reports were written in a manner that did not necessarily draw the conclusion as to whether individual regional trade agreements were consistent with the GATT rules or not. The on-going examinations in the Committee on Regional Trade Agreements have also been delayed and not one single examination report has been adopted since the establishment of the WTO. The Committee on Regional Trade Agreements admitted in its report to the General Council last year that the delay in examination was "slowed, *inter alia*, by a lack of consensus on the interpretation of certain elements of those rules relating to regional trade agreements".

4. In addition, the current procedures do not provide for a re-examination of regional trade agreements once their initial examination has been concluded. An examination of inconclusive parts of the adopted examination report, in light of the eventual development on "systemic issues" is also an important element for consideration.

5. Japan is of the view that a serious threat to the primacy of the multilateral trading system could be presented, if the Members do not take any steps to rectify the current situation in which they are faced with a lack of effective means and tools to conduct a meaningful examination of regional trade agreements as to their WTO consistency.

6. In order to maintain the "primacy of the multilateral trading system", there is a strong need to improve the examination process effectively in light of the slow progress on the CRTA examinations. This can be addressed through work on the interpretation of certain elements of the provisions related to regional trade agreements, by clarifying the meaning of the provisions related to the regional trade agreements and by strengthening of the examination process from a systemic point of view in the course of the next negotiations.

Indicative list of issues to be examined

7. In order to fulfill the above objectives, the following issues, among others, should be examined during the next negotiations:

(a) Clarifications

- (i) "Other regulations of commerce" of Article XXIV:5 of the GATT.
- (ii) "Other restrictive regulations of commerce" of Article XXIV:8 of the GATT.
- (iii) "Substantially all the trade" of Article XXIV:8 of the GATT.
- (iv) "Substantial sectoral coverage" of Article V:1 of the GATS.
- (v) "Absence or elimination of substantially all discrimination" of Article V:1 of the GATS.

(b) Strengthening the examination procedures

- (i) Establishing a review process.
 - (ii) Ensuring the enforcement of the results of the examination.
 - (iii) Establishing the obligation for the notification of economic integration liberalizing trade in services.
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