

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Special Session
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SUMMARY RECORD OF THE FIRST MEETING

Held at the International Labour Office,
on Monday, 30 September 1985, at 3 p.m.

Chairman: Mr. F. Jaramillo (Colombia)

Subjects discussed: - Chairman's opening address
- Adoption of the Agenda
- General statements

Chairman's opening address

The CHAIRMAN, opening the Special Session, noted that it was being held in unusual circumstances as a response to an exceptional situation. He recalled that on 24 July 1985 the United States had requested him, pursuant to Rule 1 of the Rules of Procedure (BISD 12S/10), to convene a Session of the CONTRACTING PARTIES as early as possible in September. The text of the request had been circulated in GATT/AIR/2180. The US request having subsequently received the concurrence of a majority of the contracting parties, the present Session had been convened by GATT/AIR/2190.

The purpose of this Session, as he saw it, was to allow full discussion of the important issues which confronted the CONTRACTING PARTIES, and to decide how to respond jointly to them. Regarding the issues themselves, he drew attention to paragraph 4 of GATT/AIR/2190 which recalled the Council debates of 5-6 June and 17-19 July under the agenda item "Recent developments in international trade and their consequences for GATT and status of implementation of the 1982 Ministerial Work Program". He noted that a footnote to the airgram provided a further link between this Session and earlier discussions by referring to the series of communications from many contracting parties. He also drew attention to a Secretariat document (Spec(85)45) which attempted to summarize the stands on specific issues made in those communications.

He added that his recent informal consultations with many delegations had led him to believe that there existed a fairly wide degree of understanding of what might be done at this Session to reinforce and help carry forward cooperation in GATT. All contracting parties wanted to derive the maximum possible value from the Work Program on which they had been jointly embarked since November 1982. Everyone acknowledged that a possible new round of negotiations could not be considered in isolation from GATT's ongoing work, nor as an end in itself. Since the purpose of a new round should be to improve the

overall functioning of the trade system, it also had to be seen as the natural and necessary way of carrying the Work Program forward into a new phase. Whatever way contracting parties looked at the Session, they would be addressing the same basic concerns and, as a result of their discussions in recent days, he was hopeful that they were beginning at least to form a common view of how those concerns might be addressed.

He considered it extremely important to re-establish a sense of common purpose in GATT's work, and to demonstrate this common purpose to the trading community and to public opinion. All contracting parties shared a vital interest - economic, social and political - in restoring the health of international trade relations. He urged them to use this special occasion to set a precedent of cooperative and fruitful endeavour that could be followed in the months ahead.

Adoption of the Agenda

The CHAIRMAN said that after his intensive informal consultations with delegations on the basis of GATT/AIR/2190, he proposed the following agenda for adoption:

"Examination of the subject matter and modalities of a proposed new round of multilateral trade negotiations in the light of the GATT Work Program and priorities for the 1980s as contained in the Ministerial Declaration of 1982 and the continuing consideration of changes in the trading environment so as to ensure that the GATT is responsive to these changes."

Mr. BATISTA (Brazil) set out his delegation's views concerning the process which had led to convening the present Session. He recalled that Brazil had expressed serious substantive difficulties with proposals for a new round of multilateral trade negotiations that would include matters not falling within the competence of the General Agreement. Those difficulties notwithstanding, Brazil had taken the initiative of submitting two draft decisions (C/W/479) to the Council at its meeting in July, representing a serious attempt at setting in motion a preparatory process for trade negotiations in GATT, without detracting from the tradition of consensus, and within the bounds of the General Agreement.

Upon the rejection of the Brazilian attempt by a few delegations, his country had been faced with a request by one contracting party for a special session of the CONTRACTING PARTIES. He stressed that while not concurring with that request, Brazil had not worked against the US initiative. He said that the European Community had subsequently attempted to have the suspended July Council meeting reconvened to work out a consensus solution, and Brazil had shown its willingness to collaborate, but once again the intransigence shown by others had put those efforts to waste. Later, when the Chairman of the CONTRACTING PARTIES had undertaken consultations on the agenda proposed in

GATT/AIR/2190, it had become clear to his delegation that the content of the airgram had not taken Brazil's position into consideration and thus could not receive Brazil's support. In a last-minute attempt to produce consensus on the Agenda to be proposed to this Session, the Chairman had undertaken a series of further informal consultations during the weekend of 28-29 September, in which Brazil had participated in good faith with the Community, Japan, Switzerland, Argentina, India and Egypt.

He said that as a result of those efforts, the Chairman had announced that at the opening of this Session he would propose the following text of an agenda for adoption: "Examination of the subject matter and modalities of a proposed new round of multilateral trade negotiations in order to facilitate both the further implementation of the GATT Work Program and priorities for the 1980s, as contained in the Ministerial Declaration of 1982 and the continuing consideration to changes in the trading environment so as to ensure that the GATT is responsive to these changes." To Brazil's regret, that text had been rejected by the intransigence of some delegations which had furthermore declined to participate in the Chairman's last-minute bid for consensus. Brazil could thus not support the new version of the agenda which the Chairman had just proposed or participate in a consensus to adopt it, but would not stand in the way of consensus or prevent the agenda being adopted.

Mr. KUMAR (India) said that despite strenuous efforts by many developed and developing countries to reach consensus on the proposed agenda, the Chairman had now submitted a proposed agenda which did not fully reflect India's concerns. However, in a spirit of constructive cooperation, his delegation would not object to it.

Mr. LOPEZ NOGUEROL (Argentina) said his delegation thought that a consensus had been reached on a proposed agenda as a result of intensive consultations over the weekend of 28-29 September, but unfortunately it appeared not to have been possible to present that text for adoption. However, Argentina would not block a decision to adopt the agenda just proposed by the Chairman, and had no objections to that text.

The Agenda, as proposed by the Chairman, was adopted (Spec(85)47).

The CHAIRMAN then invited discussion by contracting parties.

General statements

Mr. SMITH (United States) noted that his country had requested this Special Session to start discussions by the contracting parties on the subject matter and modalities of a new round of trade negotiations. The international trading system had deteriorated further since 1982 and world trade growth had been much slower than expected; it had become obvious to a number of countries, including the United States, that

urgent and decisive action was needed. Furthermore, not enough progress had been made on different aspects of the 1982 Work Program to meet present challenges. The United States believed that the only way to meet those challenges, and to fulfill the objectives set by Ministers, was to engage in multilateral negotiations. Sixty-five countries, accounting for 94 per cent of the contracting parties' trade, had recognized the urgency of this situation and had supported the call for this Session. He referred to the US President's recent statement reaffirming the US commitment to ensuring and promoting an open and fair trading system. The United States could not do this alone. While the contracting parties' common efforts over the past 38 years had fostered a major expansion of trade and had provided a powerful stimulus for worldwide economic growth and development, there were signs that GATT was now not working effectively for its member countries. His Government had concluded that those countries interested in preserving as free and open a trading system as possible should promptly begin preparing the subject matter and organizational details of new negotiations to address the problems which contracting parties collectively faced.

He said that the United States had outlined what it believed should be the subject matter of such negotiations in L/5838 and L/5846, and was open to other countries' proposals and objectives. However, it was not reasonable to expect to have agreement at this Session on the subject matter and modalities of the negotiations. To be successful, the negotiations had to serve the commercial interests of all participants, and should have the widest possible participation by contracting parties. The present Session should begin a process clarifying the shape of the negotiations, allowing each contracting party to decide whether it wanted to participate. He emphasized the need to move ahead, without preconditions, to initiate an open preparatory process for the new round. A critical point had been reached where the world was looking for direct, positive action by the CONTRACTING PARTIES. The contracting parties faced a choice between two alternatives: pursuit of individual interests by seeking immediate relief for trade problems through protectionist solutions, as had been done in the 1930s; or reconfirmation of belief in GATT principles, and the start of a common effort to negotiate the structural improvements, access to markets and new disciplines so urgently needed to solve international trade problems. The world was waiting for a clear signal that preparations for negotiations had begun in earnest.

Mr. BARROS VAN BUREN (Chile) said that the Ministerial undertakings in the 1982 Work Program were still valid. However, there had been no dismantling of restrictive measures, in particular, those inconsistent with the General Agreement. Progress on the Work Program had been only in identifying problems, and even this had been done incompletely and with a serious lack of balance. Objective analysis had been blocked in the paper and pulp sector and in the review of quantitative restrictions. There had been a deterioration in GATT dispute settlement

procedures. A political consensus to sustain the international economic system, including financial, trade and investment aspects, was essential to solid and permanent progress. Policies were needed to promote adjustment to the new conditions of an increasingly interdependent world economy. The trend in external variables had hampered the development of Chile's economy, which had suffered great deterioration in its terms of trade.

Chile had supported convening this Special Session because this situation, together with the constraints of external debt, urgently required a balanced and stable solution. A new round of negotiations should not be between blocks of countries, but should bring together varying national interests. The negotiations' framework and content would be fundamental to attaining the objectives of the 1982 Ministerial Declaration, which provided a guide for the conditions that should govern the negotiations. The preparatory process should clearly define future implementation of the commitments on standstill and rollback of restrictive measures not consistent with the General Agreement; this should include quantitative restrictions, variable charges, the Multifibre Arrangement, export subsidies, grey area measures, renegotiations under Article XXVIII, safeguard measures, non-bound customs duties, and the scope of waivers granted under Article XXV:5 or under Protocols of Accession. The dismantling of measures not consistent with GATT was not a concession and should not require payment, even in cases where waivers had been granted.

Another priority question was the time-frame for the new round and for implementation of its results, given the needs of developing countries such as Chile. A liberalization formula should soon be agreed which would afford better and more stable market access for developing countries' products, and should be applied immediately, possibly on a provisional and special basis with benefits subsequently extended to other contracting parties. A new round should include rollback of quantitative restrictions and other measures affecting market access, elimination of tariff escalation and discriminatory application of subsidies, and restructuring of international trade in agriculture and textiles. Most-favoured-nation treatment should be strengthened, with exceptions such as those under Article XXIV defined more strictly. The dispute settlement process should be improved, with prompt adoption of reports and implementation of recommendations, and special procedures might be used in the case of perishable products or a product of significant importance to the complainant. Dispute settlement was vital for developing countries, since law was the only counterbalance to the economic and commercial influence of the most powerful nations. Trade in services was not a priority, but Chile recognized its important implications for the future; GATT should take up this issue now in a transparent and responsible manner, but definitive results could not be

expected within the same period as for traditional items. Chile's commitment to a new round was irrevocable, since without it, there was nothing to prevent individual contracting parties from negotiating for their own benefit, or to restrain protectionism and the disintegration of multilateralism.

Mr. OXLEY (Australia) noted this was the first time that a Special Session of the CONTRACTING PARTIES had been convened in this manner. It was clear that this Session would begin a process leading to a new trade round. Australia supported such a new round, and believed that many objectives of the 1982 Ministerial Declaration could be advanced only by new negotiations. The new round would succeed if Governments acted on the assumption that the removal of their own measures hindering or restricting international trade would principally benefit their own economies.

About half of world trade was now governed by arrangements outside GATT rules, which closed or restricted markets; this was undermining the fundamentals of GATT. There were no grounds for confidence in the ability of its dispute settlement procedures to settle major issues. While GATT had never been a perfect instrument, in that key areas such as agriculture and textiles had never been properly subject to the open trade principles of the General Agreement, governments formally respected it and benefited economically from it. However, the norm for major trading nations now seemed for them to take measures outside GATT when they found it appropriate. This not only eroded GATT's credibility but created a trade disadvantage for medium-sized nations, such as Australia, which could not impose voluntary export restraints on their trading partners.

Governments had chosen to export their domestic economic difficulties; in agricultural trade, for example, countries had for years pursued national policies to the neglect of their trading partners' interests. Industrial policy in many countries had taken on similar characteristics. In fact, trade policy had been made to accommodate policies designed to achieve non-trade goals. In the new round, rewriting GATT rules and examining new areas would be important, but would not be enough to revitalize world trade; the source of the problem had to be addressed as well as the symptoms. His Government was ready to participate in the new round on the basis that participation would be an integral part of a process of domestic economic review. A substantial program of de-regulation and liberalization of his country's economic and trading structure was underway; Australia's industrial policy was now designed to encourage domestic industries to match the performance of efficient producers in other countries, but maximum benefit from these changes could not be realized if barriers to trade in other countries were not reduced. Agriculture had to be a priority in the new round, and he called on the European Community to seize the opportunity which new negotiations presented to put international trade in agriculture on a better and fairer footing.

Turning to problems of the developing countries, he said it was time to open the international trading system to give them maximum opportunities to use trade to help resolve their problems, including their crippling debt. For too long, "Atlantic" solutions and interests had been allowed to prevail over the rapidly expanding and important trading interests of the Pacific region; these countries should be given the full opportunity to realise their potential for their own and the world's benefit. Australia therefore supported measures which would bring contracting parties into the substance of a new round. A period of careful preparation was necessary, and Australia suggested that a group of high-level officials be established to continue to address the relevant issues. While there were legitimate concerns about how trade in services should be handled, this question should not delay the setting up of this group, which should meet in November. It would be essential that when the round began, all parties, and the major trading nations in particular, made a binding commitment to a standstill on restrictive measures. Such commitments would have to be buttressed by a process of surveillance in GATT. In closing, he noted that Australia's view on other issues which might arise in the round, and details of its objectives, were contained in document L/5744.

Mr. HILL (Jamaica) said that his Government had agreed to the convening of this Special Session which had been supported by more than two-thirds of the contracting parties, testifying to a genuine concern at the erosion of the GATT system. Contracting parties had a duty to restore GATT's rôle as a bulwark against protectionist pressures. The stage for this restoration could be set and could serve to launch a new multilateral initiative for trade liberalization and expansion. The trade and development interests of less developed contracting parties had to be centrally integrated into a revitalized GATT. All contracting parties had to recommit themselves without reservation to GATT's principles and rules, and to reach a full consensus on ways to implement past commitments to trade liberalization within a realistic time.

Jamaica's views on subject matter and modalities of a new round were partly contained in the submission by 24 less-developed contracting parties (L/5818). Jamaica considered that confidence-building measures, including standstill and rollback, would create a positive climate for launching a new round; the major unfinished business of the Tokyo Round negotiations would have to be given priority treatment. Other subjects, including new areas, would require further discussion. There was great need for further analytical and statistical work on trade in services, and on general principles which might be applicable to this area.

As for the modalities of a new round, consideration would need to be given to the following aspects of the negotiations: the scope, i.e. whether the negotiations should be exclusively within the existing legal framework of the General Agreement, or whether that framework should be enlarged to take account of changes in the trading environment; the approach, i.e., whether package or item-by-item, or a combination of the

two; the participation; how to ensure an appropriate link with monetary and financial measures contributing to trade liberalization; and the integration of less developed contracting parties into the multilateral trading system. At each stage of the process leading up to and including the launching of a new round, decisions had to be taken by consensus.

He referred to the negative developments in international trade over the past decade and said that the present crisis in the GATT system was linked to the crisis in the world monetary and financial system, governments' failure to facilitate structural adjustment, and protectionist pressures in the OECD countries. Referring to the link between trade, monetary and financial issues, he said that the concerted action by finance ministers and central bankers of five major industrialized countries in late September 1985 was a positive step which should be followed up. The removal of protectionist measures was equally urgent. Failure to deal with the continuing crises in the trade, monetary and financial fields would cancel out progress made through painful stabilization and adjustment measures. He concluded by saying that Jamaica was prepared to contribute to the consensus required in preparing the ground for further trade liberalization initiatives. The exchange of views and clarifications provided at this Special Session should be continued in the appropriate GATT bodies.

Mr. KAARLEHTO (Finland, on behalf of the Nordic countries¹), recalled their concern at the erosion of the multilateral trading system and the consequences of that erosion for international trade and the world economy. The risks posed by the rapid increase in protectionist pressures should not be underestimated, and it was in the interest of all countries, developed and developing alike, to take initiatives to reverse present trends and to restore and strengthen GATT's credibility. Discussions among contracting parties about multilateral trade negotiations had been going on for several months; submissions and statements by a number of countries had shown there was unanimity on the need for new initiatives, and that support for the start of trade negotiations continued to grow. The process begun at the 1982 Ministerial meeting had to be given new momentum, which the Nordic countries considered could be created solely within the framework of new multilateral trade negotiations; this was the only way to generate the political stimulus to enable countries to achieve commonly agreed objectives. The Nordic countries saw those objectives to be preservation of the open multilateral system, promotion of trade liberalization through improved market access, and development of the trading system to respond to the changing economic environment of the 1990s and beyond. Taking account of those objectives, he said that the Work Program constituted a suitable starting point for drafting the agenda of the new round.

¹Finland, Iceland, Norway, Sweden.

The present Session was, in the Nordic countries' view, the beginning of a process during which elements forming the framework of negotiations should be identified, and the consensus for the round should be enlarged. A mechanism for intensive and structured discussions was necessary, and the results of this exploratory process should be reported to the CONTRACTING PARTIES' forty-first session. A decision on the next step -- the creation of a preparatory committee -- should then be taken. The Nordic countries considered that four aspects were important in relation to the forthcoming discussions: (1) there should be no preconditions, no country would commit itself as to the outcome of this process, and participation would not prejudice a country's final position; (2) strict observance of standstill and rollback commitments would make the idea of a new round more credible; (3) particular attention should be given to matters of interest to developing countries, especially the least developed among them; participating countries would be expected to make reciprocal commitments to the extent possible; (4) the mounting importance of the service sector and the fact that services were increasingly becoming an integral part of goods transactions showed the need for an international approach to this sector. The controversial issue of services first had to be demystified, and negotiating modalities established to address trade in services within the context of the new round. In concluding, he said the Nordic countries considered that agreement to start a process leading to the new round would be a positive sign of the contracting parties' political will to work together to maintain and reinforce the multilateral system and to promote further trade liberalization.

Mrs. OSTRY (Canada) recalled that her country had supported the US request to convene a Special Session of the CONTRACTING PARTIES to discuss the subject matter and modalities of a new round of multilateral trade negotiations. Canada was promoting and preparing for the new round along the lines described in its submissions (L/5834 and L/5836), and hoped that all contracting parties would participate constructively in this cooperative undertaking.

The present Session marked the start of the preparatory process towards the new round, a process that would determine whether confidence in the multilateral trading system could be restored. A successful new round would strengthen governments' efforts to preserve and enhance the access to markets negotiated in previous rounds, and would modernize the framework for the conduct of present and future trade relations. A liberal trading system based on agreed and transparent rules was essential to world economic growth; sound national macroeconomic policies, strengthened international economic policy coordination, further progress in adjusting to current imbalances and appropriate exchange rate relationships also played a rôle. Recent efforts to achieve more sustainable exchange rate relationships were welcome; without appropriate exchange rates, the trading system was subject to increasing strain. The reverse relationship was that protectionist measures would not only slow growth, but would lead to misaligned

exchange rates and would exacerbate the global debt problem. Current trade problems had to be addressed in concert with efforts to strengthen the international trade and payments system. It had become clear that new growth opportunities would require an improved climate and greater confidence by national producers to plan, invest and compete in the global market; developing a more predictable environment for trade and investment, and enlarging market access, were fundamental tasks.

In Canada's view the key questions were: would the new round be a timely and credible response to present challenges? This was possible, but a preparatory process had to be seen as starting now. Would the new round's agenda reflect the legitimate interests of all countries? This was essential for the negotiations to be meaningful. Would the new round be an open negotiating process without preconditions and without prejudice as to the nature of potential trade-offs and linkages between issues and sectors? Canada strongly believed that the question of linkages properly belonged to later stages of the negotiating process. Would the new round seek to reform and update existing trade rules or would it favour a static, narrow and legalistic view of the GATT framework? The credibility and effectiveness of the multilateral trading system could not be restored without addressing new issues as they impacted on trade. She said that two of the most important achievements of the Tokyo Round, the Agreement on Government Procurement and the Agreement on Technical Barriers to Trade, dealt with areas not traditionally covered by GATT. A number of developing countries had made important contributions to the elaboration of those instruments. Just as no contracting party could be forced to accept agreements resulting from multilateral negotiations, others could not be denied the opportunity to negotiate mutually beneficial trade advantages. Canada believed that all countries' national interests would be best served by full participation in the negotiations.

The present Session had to define further the new round's agenda in which the 1982 Work Program should be accorded high priority, and also had to consider the preparatory mechanism; Canada fully supported Australia's suggested time-table on this point. A preparatory committee had to be established soon to develop clear recommendations on how negotiations on all agenda items should be conducted; it should identify methods and procedures for negotiations with the full and active support of GATT committees and groups. In concluding, she said that contracting parties could not afford to mark time. Failure to meet present challenges would mean failure to create the growth opportunities which trade expansion would bring and which all economies and societies needed so much.

Mrs. REY DE MARULANDA (Colombia) said her Government had supported convening this Special Session because trade liberalization to expand developing countries' exports could only be achieved through a new round of multilateral trade negotiations allowing effective implementation of the 1982 Work Program. Colombia maintained its position as set forth in

documents L/5647 and L/5744 submitted by the developing countries, and L/5818 submitted by a group of 24 of these countries. She said that tropical products were of interest to all developing countries and should be a priority sector in the new round, and noted that the commitment made by Ministers on this sector in 1982 (BISD 29S/17) had not yet been carried out; negotiations on tropical products could be started immediately and concluded within a short period of time. Agriculture was another sector of special interest to Colombia, since farm subsidies caused a steady loss of markets, such as in sugar and meat.

Colombia did not support the view that trade in services should be governed by GATT rules, or that there should be any linkage or trade-offs between negotiations on trade in goods and those on services. Recognizing the importance of this sector and some contracting parties' need to examine international regulation of it, Colombia could accept that two separate negotiations could be carried out in GATT, one on goods and the other on services, in order to seek a separate legal framework to regulate and liberalize trade in the services sector.

As to normative aspects of the new round, she said there was a need to reach early agreement on safeguards based on the m.f.n. principle, as well as revision of the Code on Subsidies and Countervailing Measures so as to prevent arbitrary application of the Code and to allow application of more favourable treatment for developing countries. Her delegation had on many occasions reported problems in this regard with respect to one developed contracting party.

Turning to the institutional aspects of the new round, she said the trading system had to take greater account of developing countries' legitimate problems. A surveillance system should be established in GATT to monitor trade policies and compliance with GATT commitments, and the notification system should be improved. Colombia had put forward this idea in the Council late in 1984, and the proposal had been supported in the Study Group's report. While little progress could be made at this stage on the modalities of the new round, negotiations on goods should have separate time-frames according to the sector of negotiation and the degree of its maturity. A high-level group should discuss the question of a new round on a continuing basis and should report to the CONTRACTING PARTIES at their November 1985 Session; decisions should then be taken to further the trade liberalization so urgently needed by contracting parties' economies.

Mr. CHEW (Singapore, on behalf of the ASEAN countries in GATT¹) expressed their deep concern at the continuing erosion of the open multilateral trading system. Protectionist pressures had increased at

¹Indonesia, Malaysia, Philippines, Singapore, Thailand.

an alarming rate, a substantial proportion of international trade fell under some form of restriction, and disputes among developed countries had been on the increase, often to the detriment of the trade of small countries such as the members of ASEAN. These countries were particularly concerned about the shift away from the m.f.n. principle and GATT rules and procedures, manifest in measures inconsistent with GATT and a preference for bilateralism.

The time had come to consider the need for a new round of multilateral trade negotiations in order to avoid the disasters of the 1930s, and ASEAN supported the early launching of a well-prepared and structured process to this end. He stressed the importance of early and speedy preparations in order to prevent further deterioration in the trading system. ASEAN called on all contracting parties to agree to a standstill and rollback of protectionist measures so as to ensure improved market access, especially for developing countries' exports. A commitment by developed countries on standstill and rollback would give confidence and inspire all contracting parties to participate more fully in the negotiating process.

ASEAN's main objectives in the new round were: to ensure increased and improved market access for all goods of export interest to ASEAN, and to evolve an international trading system which would enhance ASEAN's economic and trade growth potential in the 21st century. Issues of particular interest to ASEAN had to be accorded adequate importance and priority in the new round; these included textiles, tropical and natural resource-based products, tariff escalation, non-tariff measures, safeguards, trade in agriculture, and the use of national legislation, particularly countervailing measures, to harass trade in products of export interest to developing countries. ASEAN was prepared to work on new issues so long as issues of concern to it and to other developing countries were given priority. He said that fulfilment of the Tokyo Round commitments and completion of the 1982 Work Program were essential, and he recalled the Tokyo Round decision on special and differential treatment for developing countries.¹ Mutual benefits would have to flow from the new round.

In concluding, he said that there had to be as broad a consensus as possible to launch the new round, and the widest possible participation in the preparatory process; this would not only ensure the success of the preparations, but would also help to move the negotiations forward once launched. He said that implementation of the results of the new round, which was crucial to the economic and trade needs of the next century, would strengthen the GATT framework. He urged all contracting parties to support this effort and to work for its success.

¹BISD 26S/203.

Mr. LUYTEN (European Communities) recalled that when the CONTRACTING PARTIES had met in November 1984, the question of a new round of trade negotiations was already a major issue; the Community had felt then that it was time to begin the preparation of a new round, since another common effort at liberalizing trade would be the best defence against growing protectionist pressures. At that time, monetary and financial developments and unbalanced, internationally incompatible macro-economic policies were leading the world economy on a dangerous course. While trade policies alone could not solve the problems these developments created, trade policy-makers would bear a heavy responsibility should their inability to act impede world economic recovery.

He recalled the Community's statement at the November 1984 Session supporting a senior-level meeting in 1985 to examine the question of a new round, and the Resolution of the Council of Ministers in March 1985 declaring the Community's readiness to participate in launching a new round. In that Resolution, the Community had drawn attention to a number of important elements requiring serious parallel consideration, including the need to reaffirm standstill and rollback commitments, to pursue implementation of the 1982 Ministerial Work Program, and to have parallel concerted action in the appropriate fora to improve the functioning of the international monetary system and the flow of financial and other resources to developing countries.

The Community considered that further collective progress on the 1982 Work Program could only be achieved by contractual commitments through multilateral negotiation; it was time to explore together what and how to negotiate. The Community believed that to be successful, the new round had to have broad participation, and had to cover subjects and provide for modalities which met the desires and needs of the greatest number of contracting parties; this Special Session should allow the fullest possible discussion of these matters. The Community had made its position clear in document L/5835, as well as at the July Council meeting (C/M/191). This was not the time to slow down or block the process by a priori exclusion of topics which had received a measure of support; a decision on inclusion or exclusion of a topic in the new round could only be made after full discussion. Consideration of subjects such as trade in services should not displace traditional subjects but, where agreed, should progressively occupy a place alongside them, commensurate with their importance in international trade.

The present Session could not complete the task of discussing the subject matter and modalities of a new round. The Community wanted a formal preparatory mechanism to be set up at the end of November, when an adequate consensus should have emerged to launch a new round; contracting parties should decide now to pursue the preparatory process vigorously with the help of an appropriate high-level body. Contracting parties' differing interests and needs could be accommodated

by GATT's traditional process of give and take. He said that in working to promote an understanding between contracting parties and to create a common basis for negotiations, the Community had been guided by the 1982 Ministerial understanding "to give continuing consideration to changes in the trading environment so as to ensure that the GATT is responsive to these changes" (BISD 29S/12). No contracting party was obliged to negotiate or even participate in preparations for negotiations; equally, GATT practice was that if a majority of contracting parties wanted to discuss new issues for possible inclusion in the negotiations, this should not be blocked.

The Community called upon the CONTRACTING PARTIES to pursue the preparatory process leading to an early decision to formally launch multilateral trade negotiations. The trading community expected a clear signal of the contracting parties' determination to play their part in revitalizing the world economy. Just as those in the monetary and financial field had realised urgent action was required to relieve pressures on the trading system, it was now up to the contracting parties, as trade policy-makers, to assume their responsibilities. He called for an end to procedural squabbles and bickering over details, and for joint efforts to show that GATT, and the open multilateral trading system which it represented, was ready, willing and able to play its rôle.

Mr. MIZOGUCHI (Japan) said that his country saw support for this Special Session as proof of how acute present difficulties were and how seriously all contracting parties were working to find solutions to them. Protectionism was gaining ground everywhere, and GATT's credibility was eroding; the survival of the free trade system based on GATT was at stake. He called on both developed and developing contracting parties to reaffirm their resolve that the tragedy of the 1930s, arising from protectionism embodied in economic blocs, should never be repeated.

Referring to the market-opening measures taken by his Government in recent years, he said that Japan was now working for full implementation of its Action Program, including the elimination or reduction of tariffs on about 1,850 products, simplification of standards and certification procedures, and many other liberalization measures. Within this Program, Japan was also considering what its contribution to the promotion of the new round should be, and had announced that one of its goals in the negotiations would be the reduction to zero of the tariff rates for industrial products, in concert with other advanced industrialized nations. However, unilateral efforts by one country were not enough to resist worldwide protectionist pressures. The standstill commitment made in the 1982 Ministerial Declaration (BISD 29S/11) should be honoured, and contracting parties should work to strengthen the GATT system on that foundation; concerted action to this end was essential.

There was increasing recognition of the need for early launching of a new round, and it was encouraging that so many countries were determined to promote the new round. The stage of discussing the need for a new round was finished. The present Session should be the starting point for discussing how to organize the round, and to set the preparatory procedure on course. The Session should agree to establish a preparatory committee, if possible immediately, and in any event not later than the end of November. This would signal that the contracting parties were moving ahead in their joint task of combating protectionism. On subject matter of the new round, Japan supported the inclusion of services as well as a broad range of other subjects, and its views on modalities had been put forward in detail in L/5833. It was now time to come to an agreement, and to work with flexibility and a broad perspective to reach constructive solutions. The whole new round process should not be deadlocked because of any disagreement on procedures. The world was watching to see what results this Session would produce. If GATT could not tackle its tasks effectively, its very *raison d'être* might be questioned. His delegation hoped that each contracting party would reaffirm its determination to promote the new round, and that the preparatory stage could be initiated at this Session.

Mr. PARK (Korea) said his country welcomed launching the new round as soon as possible. Korea was concerned at the rapid deterioration of the world trade environment, since its own economic growth depended on trade. The growing erosion of confidence in the viability of the GATT system had rendered GATT inadequate to deal with current world trade problems. Thus, there was an urgent need to strengthen and improve GATT, and to restore confidence in the multilateral trading system. Korea believed that launching the new round would help arrest protectionist trends, would maintain and strengthen the multilateral system, and would establish a larger framework in GATT for coping with new issues in world trade. All participants in the new round should be committed to a standstill on protectionist measures, including those applied bilaterally. This would not only contribute to halting the current slide into world-wide protectionism, but would inspire confidence and wider support for the new round. Commitment to a rollback program would also be desirable; however, this should be discussed in the context of the negotiations.

The new round should have the widest possible participation, and every effort should be made to ensure the maximum participation of developing nations; nevertheless, in view of the rapid deterioration of the global trading system, the new round should be launched as soon as possible, and it should encompass a broad range of complex issues and concerns. Prior consultations should be held to determine its objectives, methods and issues, including priority items, in order to ensure the success of the negotiations and to address all participants' concerns and interests. For this purpose, a working group should be established to continue the present preparatory process. An early start

of the preparations would help build a consensus on the new round by providing a forum for individual nations to express their interests and concerns, and would encourage wider participation by reducing apprehensions regarding subject matter.

He said that it was important at this stage to prepare a balanced agenda. Adequate consideration of all contracting parties' -- particularly developing countries' -- interests was vital to the new round's success. Priority should be given to old issues and unfinished business, including safeguards, dispute settlement procedures, clarification of the anti-dumping and countervailing measures codes, and readjustment of negotiation and consultation rights under Article XXVIII; grey-area measures should also be addressed. Korea was flexible on the question of the agenda; new issues should include those of interest to developing countries, whose economic concerns should be given due consideration. It would be necessary to establish multilateral rules in areas such as trade in services which was becoming increasingly important in the world economy and was expected to expand rapidly in the future. However, given the complicated nature of the new issues, preparatory discussions should determine the coverage and procedure of negotiations on them. The proposal to hold negotiations on services separately from those on goods deserved further consideration, but such negotiations should still be carried out within the GATT framework, in parallel with negotiations on trade in goods. The new round should contribute to eliminating the practice of selective discrimination in international trade, which had been increasing in direct violation of the principle of non-discrimination. Korea called for speedy implementation of the Work Program, which was important in solving major world trade problems and which should be dealt with properly in the new round.

There was no time to lose; issues of procedure should not jeopardize the GATT system. Consequently, Korea hoped that this Special Session would contribute to laying a firm foundation for launching the new round.

The meeting adjourned at 6 p.m.