

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Forty-First Session

SUMMARY RECORD OF THE THIRD MEETING

Held at the International Labour Office
on Tuesday, 26 November 1985, at 3 p.m.

Chairman: Mr. F. Jaramillo (Colombia)

	<u>Page</u>
<u>Subjects discussed:</u>	1
- Report of the Council (continued)	1
- Activities of GATT	11
- Report of the Senior Officials Group	11

Report of the Council (L/5909), continued

Point 2. Recent developments in international trade and their consequences for GATT, and status of implementation of the 1982 Ministerial Work Program

Mr. NAGARATNAM (Sri Lanka) stressed the need to identify solutions to problems related to the export of domestically prohibited goods and referred to his delegation's intervention on this subject in the Senior Officials Group (SR.SOG/6). He said that notifications which had been submitted in accord with the directives of the Ministerial decision (BISD 29S/19) could provide the basis for an exchange of information to assess what might be done within GATT in this area. Useful work was being done in this field by other international organizations such as UNEP, WHO, FAO and OECD. The exchange of information with these agencies could help delineate GATT's rôle and avoid duplication. Information from authorities in exporting countries was a necessary pre-requisite to enable importing countries to make informed judgements on hazardous products entering international trade, and GATT could provide the guidelines for implementing such measures. Sri Lanka therefore proposed continuing the consultations on this subject on a more regular basis and with a focus on identifying solutions to problems in this area.

Mr. RANDHAWA (India) and Mr. HAMZA (Egypt) supported the statement by Sri Lanka.

Mr. LUYTEN (European Communities) said that while many international organizations were competent to deal with the issue of the export of domestically prohibited goods, GATT had a rôle to play.

Mr. CARTLAND (United Kingdom on behalf of Hong Kong), referring to the subject of dispute settlement, said that the only significant development in the past year had been the roster of non-governmental persons available to serve on GATT panels. While useful, this was insufficient to deal with problems in this area. At the core of the dispute settlement issue was the need to secure a higher level of commitment from all contracting parties to abide by the results of the dispute settlement mechanism. To this end, particular regard had to be given to the difficulties faced by smaller developing contracting parties seeking equitable solutions in disputes involving larger, more powerful contracting parties. He said that the ideas identified in the 1979 Understanding and in the Work Program needed to be developed into proposals for action. Measures had to be devised and implemented to reduce delay, to increase surveillance and to prevent obstruction in the dispute settlement process. One means of giving effect to those objectives would be to establish within GATT a standing body on dispute settlement to assist and support the Council. Such a body, open to all contracting parties, could be charged with identifying problems and proposing procedural improvements, monitoring the progress of disputes and recommending how the dispute settlement mechanism might be expedited and facilitated in individual cases, and keeping under surveillance any matter arising from the operation of the dispute settlement mechanism on which the CONTRACTING PARTIES had made recommendations or given rulings, with a view to securing full compliance by the contracting parties involved. There was still much work to be done in this area, and he suggested that this proposal could be examined and developed as the basis for the continuation of such work.

Point 3. Reviews of developments in the trading system

Mr. RANDHAWA (India) said that his delegation had found the special Council meetings to review developments in the trading system and to monitor paragraph 7(i) of the 1982 Ministerial Declaration very useful. However, they had become an occasion for general statements; very little surveillance was being exercised and there was no proper focus on monitoring the high-level commitments of paragraph 7(i). The

¹Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210).

documentation prepared by the Secretariat for these meetings was a useful adjunct to this exercise, but was not a substitute for the surveillance of specific developments in the trading environment. India hoped that the CONTRACTING PARTIES would seek ways to make the work of these meetings more effective.

Point 4. Consultative Group of Eighteen

The DIRECTOR-GENERAL noted that the report of the Consultative Group of Eighteen to the Council on its work during 1985 (L/5887) had already been discussed in the Council.

He recalled that the CONTRACTING PARTIES were called upon to approve the Group's composition for 1986. As consultations were still continuing on this matter, he proposed that the CONTRACTING PARTIES revert to this question later in the session.

This was agreed.¹

Point 8. Trade in Textiles
- Report of the Textiles Committee

Mr. SUN (Korea), on behalf of developing country exporters of textiles and clothing, said that those countries' views on future rules to govern trade in textiles and clothing were well known and had been reiterated and elaborated in communiqués issued after meetings during 1985 in Karachi, Mexico City and Seoul. Regarding the Textiles Committee's consideration of the future of the MFA², these countries felt that the 1982 Ministerial Declaration provided the basis for liberalizing trade in textiles and clothing. The position of the importing countries was, however, in stark contrast to commitments undertaken at the 1982 Ministerial meeting. Nevertheless, the developing countries were ready to continue discussions in a constructive spirit. He said that for nearly a quarter of a century the textiles and clothing sector had been subject to special treatment, and protection had been institutionalized in a derogation from GATT rules. The original justification for such measures had become increasingly less credible with each renewal of these special arrangements. The lack of willingness to move away from institutionalized protection in this sector might adversely affect expectations regarding negotiations in other areas. Developing country exporters of textiles and clothing were concerned over continued protectionist pressures and additional

¹ See SR.41/7, page 2.

² Arrangement regarding International Trade in Textiles (BISD 21S/3) as extended (BISD 28S/3).

restrictive measures that had been taken in recent months by the major importing countries. Such developments eroded confidence in the multilateral trading system and undermined any future attempts to restore the effectiveness of multilateral disciplines in a new round of trade negotiations. Serious concern had been repeatedly expressed over the proposed US Textiles and Apparel Trade Enforcement Act of 1985 which, if enacted, would constitute a unilateral measure in violation of the United States' multilateral and bilateral obligations under GATT and the MFA. In addition, by formally introducing discrimination in a key sector of trade, the proposed Act would further undermine the basis of the present multilateral trading system.

Mr. NAGARATNAM (Sri Lanka) supported the statement by Korea. Despite the 1982 Ministerial Declaration, there had been a further intensification of restrictions under the extended MFA; this was the main finding in the Major Review report of the Textiles Surveillance Body. Such restrictions had continued to be applied exclusively against the exports of developing countries in a discriminatory manner. There was an urgent need to liberalize trade in this sector, but the developed importing countries had shown no willingness to begin dismantling restrictions and to end discrimination against the developing countries. Recent developments such as the legislation pending in the US Congress could only aggravate the situation. The intensification of restrictions during the prolongation of the MFA, through the extension of country and product coverage, had fallen more heavily on small suppliers such as Sri Lanka, and on new entrants, including the least developed countries. He said that the rights of those countries to special treatment had to be strengthened to provide for effective implementation of commitments, and that such treatment should be included in any process of liberalization.

Mr. CARTLAND (United Kingdom on behalf of Hong Kong) supported the statement by Korea and recalled his delegation's statement on this subject at the November 1985 Council meeting (C/M/194). In his delegation's view, the concept of standstill and rollback should in principle apply to all sectors of trade, including textiles. The immediate future of the special arrangements which had applied for so long to the textiles sector would be decided in the context of the Textiles Committee's current exercise. The latter was a separate, self-contained exercise that would continue within its own parameters, but had to take account of negotiations and other developments in the broader context. Failure to achieve a liberalizing effect in those textile negotiations could have an adverse effect on proposed global negotiations.

Mr. BAJWA (Pakistan) supported the statement by Korea and emphasized that unless the governments which engaged in multilateral negotiations were fully backed by a domestic consensus in support of trade liberalization, the outlook for any such negotiations would be marred and the outcome seriously jeopardized.

Mr. SMITH (United States) said that the proposed US legislation on textile imports to which several delegations had referred was pending in the Congress and had not become US law.

Mr. HODA (India) supported the statement by Korea and said that the régime governing trade in this sector had been a main source of dissatisfaction for the developing countries for almost two decades. Events since the 1982 Ministerial Declaration had belied the hope it had raised that normalcy would be restored in this sector. The spirit of the present MFA was not being observed, thus affecting its credibility. Consultation calls were being made without any sound basis, and the findings of the Textiles Surveillance Body had not been observed. He expressed his delegation's concern over the legislative initiatives in one major importing country.

Mr. HAMZA (Egypt) supported the statement by Korea and welcomed the clarification by the United States.

Mr. QIU (China), speaking as an observer, said his delegation had joined others supporting adoption of the report of the Textiles Committee (COM.TEX/41) pertaining to negotiations on the future of the MFA. He reiterated China's concern over the protectionist legislation pending in the United States. A revised version of this legislation would, if enacted, substantially cut textile and apparel imports from developing countries, and posed a real threat not only to this sector but to the entire multilateral trading system. China relied heavily on textile and apparel exports and hoped that negotiations on the future of the MFA would not be affected by such protectionist pressure.

Mr. CARTLAND (United Kingdom on behalf of Hong Kong), referring to the clarification by the United States, said that the danger of the proposed US legislation being enacted was only part of the concern. The price that might be sought for not enacting it might have implications as damaging as actual passage into law.

Point 9. Committee on Balance-of-Payments Restrictions

Mr. LUYTEN (European Communities) said that the Commission, acting under the Treaty of Rome, had one week earlier authorized Greece to introduce a system of prior deposits, to apply erga omnes, in order to safeguard its balance of payments. The Commission would shortly notify those measures and was prepared to follow normal GATT procedures regarding such measures.

Point 10. Emergency action

Mr. LUYTEN (European Communities) recalled that since 1977 Canada had maintained Article XIX safeguard measures on footwear. While the Community welcomed Canada's recent decision to free imports of footwear

for men and boys, it regretted that restrictions would be maintained for a further three years for women's and girl's footwear, which amounted to 65 per cent of the Community's total footwear exports in 1984. The Community had suggested consultations on this matter, to which Canada had agreed.

Mr. WRIGHT (Canada) said that his delegation would submit a notification announcing the termination and phase-out of Canadian footwear quotas. Canada was prepared to consult with all contracting parties having a substantial trade interest in footwear covered by this action.

Point 11. United States - Proposed restrictions on imports of non-rubber footwear

Mr. SMITH (United States) said that the Council's report (L/5909, pp. 69-70) did not reflect the US President's denial of the relief sought on imports of non-rubber footwear. He requested that this fact be noted.

Point 13. United States - Trade measures affecting Nicaragua

Mrs. PEREIRA (Nicaragua) recalled that Nicaragua had asked for an emergency Council meeting when the US President had announced the total trade embargo against her country. Nicaragua's action had been inspired by the UN Charter which required recourse to established international legal machinery for the peaceful settlement of disputes among States, and also by the conviction that trade should contribute to peace and to economic and social welfare. Her delegation deplored the US President's decision of 30 October 1985 to extend the embargo. The Council's report showed clearly contracting parties' concern that an exceptional provision such as Article XXI had been applied arbitrarily and against a developing country in violation of the principles embodied in the UN Charter and that of the Organization of American States.

In a spirit of conciliation and flexibility, Nicaragua had accepted that the Panel set up to consider this dispute could not examine the US grounds for invoking Article XXI(b)(iii); however, this should not be considered as a precedent. Nicaragua considered that application of any GATT provision, including Article XXI, should be explained and justified. The Panel, in accordance with Article XXIII:2, was to determine whether there had been any nullification or impairment of GATT benefits. There should be some degree of symmetry between the large and small, developed and developing, contracting parties. By agreeing to set up the Panel on the US measures, the CONTRACTING PARTIES had reaffirmed their adhesion to the 1979 Understanding¹, ensuring that

¹Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210).

every contracting party could exercise its rights under Article XXIII:2. Nevertheless, Nicaragua regretted the delay in establishing the Panel's terms of reference and composition, and asked that no effort be spared in reaching agreement on this matter at the present Session. The proper functioning of the dispute settlement machinery was an integral part of the multilateral trading system, which all contracting parties were trying to reinforce.

Mr. SMITH (United States) said that his delegation had not in any way delayed the mechanics of composing this Panel once it had been established by the Council, despite the fact that the United States continued to believe that a panel had no useful function to perform in this case, and that Nicaragua's insistence on a panel was an inappropriate attempt to politicize the GATT. He said it was clear that the United States had taken the measures in question for national security reasons and that their removal would require a resolution of the broader security situation.

Sub-point 15(a). Brazil - Treatment of electronic data processing equipment

Mr. MARTINS (Brazil) recalled that his authorities had agreed in June to consultations under Article XXII with the United States on trade in informatics products, on the understanding that this matter involved a new law for which implementing regulations had not yet been established and which was not aimed at trade. He said that Article XXII could not be used as an expedient for influencing the regulation or implementation of a contracting party's national legislation. Since existing Brazilian law had not prevented imports of informatics from steadily increasing in past years, his delegation had seen no reason for further consultations. However, without having requested further consultations, the United States had announced on 7 September 1985 its intention to initiate, under domestic US procedures, a unilateral investigation of Brazilian informatics policy including investment and trade practices in the area of both goods and services. The United States had further attempted to establish a link between alleged unfair trade practices in areas not covered by international agreement, such as services and investment, and possible retaliation affecting Brazil's merchandise exports to the United States. He recalled his delegation's statement in the Council on the implications of such action for the two parties' rights and obligations under the General Agreement, and on the duty, under international law, to refrain from coercive measures to obtain advantages of any kind. The United States and Brazil were not bound by any treaty or agreement in the areas of investment and of trade in services; their mutual obligations under the General Agreement applied to trade in goods only. Brazil had reserved the right to bring to GATT any retaliatory action affecting its trade in goods. In so doing, Brazil did not recognize GATT as competent in any manner to deal with the question of investment or services.

Mr. HODA (India) shared Brazil's view that the provisions of Articles XXII and XXIII could not be invoked to call for consultations in areas not explicitly covered by the General Agreement, particularly such matters as laws on informatics and other service sectors.

Sub-point 15(f)(i). United States - Tax legislation (DISC-FSCA)

Mr. LUYTEN (European Communities) noted that there had been Article XXII consultations on this matter with the United States. The Community reserved its right as to the continuation of those consultations.

Sub-point 18(b). Enlargement of the European Economic Community

Mr. LUYTEN (European Communities) noted that the European Economic Community had submitted to the Secretariat a number of examples of the legal proceedings for the formal accession of Spain and Portugal. The Community would open Article XXIV negotiations on this matter on the basis of the 12-member Community's new tariffs, which would be notified to GATT at the end of 1985.

Sub-point 19(b). Pakistan - Renegotiation of schedule

The CHAIRMAN drew attention to the Council's recommendation that the draft decision in Annex I of its report be adopted by the CONTRACTING PARTIES by a vote.

The decision (L/5920) was adopted by 54 votes in favour and none against.

Sub-point 19(c). Turkey - Stamp duty

The CHAIRMAN drew attention to the Council's recommendation that the draft decision in Annex II of its report be adopted by the CONTRACTING PARTIES by a vote.

The decision (L/5921) was adopted by 58 votes in favour and none against.

Point 32. Training activities

Mr. MOSTAFA (Bangladesh) said that Bangladesh, as a least-developed country, considered GATT's training activities to be crucially important. He recalled that his delegation had consistently asked for enlargement of this program, particularly in view of the increasing

demand for participation in it by the developing countries. His delegation welcomed GATT's efforts to improve and enlarge the courses, but was concerned at the lack of resources available for this. Bangladesh hoped that more developed countries and international organizations would make increased resources available to support these courses, thus enabling developing countries, particularly the least developed among them, to benefit fully from them.

Mr. NAGARATNAM (Sri Lanka) supported the statement by the representative of Bangladesh and said his delegation had consistently emphasized the importance to developing countries of the GATT training courses. Sri Lanka had benefitted from such courses and had therefore welcomed their enlargement as well as the introduction of a Spanish language course. The training courses were the centrepiece of GATT's Technical Co-operation Program and had to be maintained and improved.

Point 33. International Trade Centre
- Joint Advisory Group

Mr. MOSTAFA (Bangladesh) said that the activities of the International Trade Centre (ITC) in export promotion in developing countries, particularly in the least developed among them, were of special interest to his delegation. The least developed countries' productive capacities and participation in international trade had been seriously affected during the previous few years, and the decline in trust fund contributions to the ITC's technical cooperation program had prevented the Centre from expanding and strengthening its activities. Bangladesh endorsed the recommendations of the Joint Advisory Group for a significant increase in the ITC's regular budget and extra-budgetary resources. He noted the increase in the UNDP's 1984 contribution, and underscored the need for increased resources for the Centre's activities. He suggested that the ITC further strengthen its special program for the least-developed countries in order to implement the provisions of the Substantive New Program of Action adopted in Paris in 1981 and re-affirmed in 1985. In Bangladesh's view, the ITC could help alleviate the difficult structural problems faced by the least-developed countries in international trade.

Mr. AHMAD (Pakistan) associated his delegation with the statement by Bangladesh. As international trade played an important part in Pakistan's economy, the ITC's activities had acquired great importance. Pakistan's collaboration with the Centre on various projects had yielded substantive progress in areas such as market penetration, export packaging and trade information analysis, with initiatives in overseas commercial representation and manpower development and training. Regarding the ITC's financial situation, his delegation noted with appreciation the donor countries' financial support for the Centre's activities, and hoped that such support would continue, in view of the Centre's expanding financial needs.

Mr. HAMZA (Egypt) commended and supported the Centre's work, and stressed the need to increase its regular budget as well as its extra-budgetary resources.

Mr. NAGARATNAM (Sri Lanka) expressed his delegation's appreciation for the ITC's activities in export promotion and development. Sri Lanka urged the Centre to continue its efforts to increase trust fund contributions and to diversify its sources of financing. The Centre's activities, particularly in the fields of commodities, export-oriented joint ventures and medium and small-sized enterprise development would help developing countries to expand and diversify their export capacities in order to take advantage of market opportunities abroad. He commended the ITC's focus on measurable export results. Sri Lanka trusted that a higher level of voluntary contributions would be forthcoming in order to enable the Centre to pursue an expanded program of technical co-operation.

Mr. THEURI (Kenya) expressed appreciation for the Centre's activities, especially in export promotion, and said that those activities should be strengthened.

Mr. BOUBACARBA (Senegal) joined the previous speakers in commending the ITC's excellent work in developing countries, particularly in export promotion. His delegation appealed to donor countries, both developed and developing, to increase their contributions to the Centre so as to enable it to undertake further work.

Mrs. GARCIA (Cuba) expressed appreciation for the Centre's activities and to the donor countries which supported them. Cuba had benefited from those activities, and hoped that contributions would increase in future so as to enable the Centre to continue its important work in developing countries.

Mr. LACARTE (Uruguay) associated his delegation with the previous speakers and said that Uruguay had benefited from the ITC's direct assistance in export promotion, particularly since many countries had taken protectionist measures. Financial contributions to the Centre should be increased, so as to enable it to work to continue.

The CHAIRMAN suggested that the CONTRACTING PARTIES revert to the points in the Council's report which had been left pending at the close of the morning's meeting.¹ He then read out the texts of three draft decisions as follows:

Sub-point 1(h). Textiles and Clothing

The Chairman proposed that the CONTRACTING PARTIES agree that the Working Party on Textiles and Clothing should continue to examine modalities of further trade liberalization in textiles and clothing.

¹ See SR.41/2, pages 8, 12 and 14.

including the possibilities of bringing about the full application of GATT provisions to this sector. The Working Party will report to the CONTRACTING PARTIES at their 1986 Session.

The CONTRACTING PARTIES so agreed and adopted the report of the Working Party on Textiles and Clothing (L/5892).

Sub-point 1(g). Trade in Counterfeit Goods

The Chairman proposed that the CONTRACTING PARTIES instruct the Council to review this matter, at an appropriate time, in pursuance of the Ministerial Decision on the subject.

The CONTRACTING PARTIES so agreed.²

Sub-point 1(d). Quantitative Restrictions and Other Non-Tariff Measures

The Chairman proposed that the CONTRACTING PARTIES instruct the Group on Quantitative Restrictions and Other Non-Tariff Measures to oversee the implementation of the Ministerial Mandate and the recommendations of the Group, to keep the Council informed of progress made and to present a report containing its findings and conclusions to the CONTRACTING PARTIES at their 1986 Session.

Mr. JARA (Chile) proposed that the CONTRACTING PARTIES revert to this matter later in the Session.

This was agreed.³

Activities of GATT

Report of the Senior Officials Group

The CHAIRMAN said that under these two items, which would be taken together, the CONTRACTING PARTIES would have the opportunity to consider the reports presented to them directly. The CONTRACTING PARTIES could also take action on items not dealt with under other agenda items.

Before proceeding with the substantive debate, he gave the floor to the observer from Mexico who wanted to make a special statement.

¹ See L/5932.

² See L/5931.

³ See also SR.41/2, page 4, and SR.41/7, page 1.

Mr. BRAVO AGUILERA (Mexico), speaking as an observer, announced his country's decision to seek accession to GATT. The decision had been taken after consultations with various sectors within Mexico and was seen by his Government as important in light of Mexico's increasing reliance on non-petroleum exports. Mexico wanted to participate in taking the decisions that regulated trade and to make use of the advantages that GATT afforded for settling disputes.

He read the text of a letter from the President of Mexico regarding the decision to seek accession. The letter noted the need to make Mexico an efficient and competitive partner in world trade, and outlined the steps already initiated to bring about necessary structural change. Four specific arguments for Mexico's membership of GATT were mentioned. First, Mexico needed to expand its non-petroleum exports in order to promote its development and to meet its international commitments. International trade negotiations were a major instrument for improving market access. GATT was recognized as the major forum for the discussion of trends and problems of international trade, and as the main instrument for trade negotiations. An exchange of concessions within a multilateral framework could provide for increased market access for developing countries such as Mexico. Second, GATT contained provisions affording protection to the industrial and trade interests of its member nations, such as those concerning safeguards and unfavourable balance-of-payments situations. Third, the GATT dispute settlement mechanism broadened the opportunities of defence in the solution of bilateral trade disputes, while protecting trade from unilateral measures. Fourth, the current economic situation was one of adjustment and restructuring, on the basis of multilateral and bilateral negotiations; accession would thus benefit Mexico, at the time of its own industrial restructuring, and would allow it to contribute to the establishment of international rules beneficial to the developing countries.

Mexico's eventual protocol of Accession would need to be consistent with the provisions of its Constitution and other legislation, with the National Development Plan and with its programs and policies for industrial and trade development. In addition, Mexican law regarding unfair trade practices had to be taken into account. Mexico intended to use as a reference the Draft Protocol of Accession which it had negotiated in 1979 (BISD 26S/256). Mexico would insist on being recognized as a developing country and on receiving the more favourable treatment applicable to such countries. Mexico's sovereignty over its natural resources and its public sector would need to be recognized, as well as the priority which it attached to its agricultural sector. In addition, Mexico wanted to maintain the flexibility necessary to control foreign trade, in the context of its present policy of gradually replacing prior import permits by tariffs. Mexico would not negotiate on products which affected its national security or public health, or on sensitive agricultural products.

He said that Mexico had presented a letter to the Director-General regarding the Mexican decision to seek accession, and its desire to participate with full rights in the new round of multilateral trade negotiations. He stressed that it was not possible to ask developing countries to open their markets at the same time that many developed countries were taking measures in violation of GATT to restrict market access.

The CHAIRMAN congratulated the Government of Mexico on behalf of contracting parties and expressed their satisfaction at the Mexican initiative.

The CONTRACTING PARTIES took note of Mexico's statement¹ and of its request to open negotiations for accession to GATT as soon as possible. The CONTRACTING PARTIES agreed that at its next meeting, the Council would take the necessary procedural steps to establish a working party to examine Mexico's request.

In their statements under Agenda Items 2 and 3, many contracting parties welcomed Mexico's decision to open negotiations for accession. Some speakers commented that the request by Mexico, a country which had closely followed GATT's activities as an observer since 1975, was an important event for GATT at this crucial stage in its development. Mexico would derive both advantages and obligations from acceding to the General Agreement, and it was significant for GATT that another major developing country saw benefit for its commercial and economic interests in seeking membership. Some speakers commented that Mexico's initiative was a sign of faith in GATT's ability to effectively address the problems of world trade, and that it would strengthen the organization.

Mr. ELEBE LISEMBE (Zaire) said that sub-Saharan African countries were in a critical situation due to crushing debt, drought and famine, and heavy dependence on exports of basic commodities. Nearly 75 per cent of those countries depended on a small number of raw materials for 60 per cent of their exports. The producer-price system was continually deteriorating, with the sole exception of cobalt. In line with Part IV of the General Agreement, Zaire hoped for solutions to the problem of access to developed country markets, for a relaxation of tariff and non-tariff barriers, and for the non-progressivity of customs duties. Priority had to be given to trade in certain natural resource products, and the problem of prices had to be included in considering solutions to problems in that area. Zaire felt that the activities of the

¹ The full text of the statement was subsequently circulated as L/5919.

International Trade Centre should be strengthened in order to enhance developing countries' capacity to export semi-processed and processed commodities to developed countries.

He said the developed countries had been unable to keep their commitments, as contained in the 1982 Ministerial Declaration, due to lack of political will. Thus, it appeared that new multilateral trade negotiations within GATT were the only way to reach agreement. His delegation had repeatedly reaffirmed its attachment to maintaining an open multilateral trading system and wanted to contribute to reinforcing GATT; however, trade expansion would be impossible if obligations already undertaken were not respected. The preparatory process for the new round had already begun; given the failure of the Senior Officials Group to reach agreement, contracting parties should work together to continue that process. Zaire supported the creation of a Preparatory Committee which should include all subjects taken up by the Senior Officials Group, and should define the objectives and priorities for negotiations on each subject. The Committee would also have to decide on the procedures and time-table of the negotiations, and on the participation of non-contracting parties. Its terms of reference should enable it to refer to existing working groups and committees for assistance in its work. The Preparatory Committee would submit its report to a Ministerial meeting which would then decide on launching the new round. It would be essential that, before opening the new round, contracting parties undertake a standstill commitment applicable throughout the course of the negotiations.

In concluding, he said that international trade was threatened by an increase in protectionism in the form of quotas, voluntary restraint agreements and progressive customs duties. This climate did not favour the continuation of the process that was underway, and he appealed to all contracting parties to resist such measures.

Mr. REISCH (Austria) said that the present Session was expected to take important decisions for GATT's future work. Austria's main concern was the maintenance, strengthening and development of the GATT system as a safeguard for the open multilateral trading system essential to all countries' economic health.

Turning to the 1982 Work Program, he said that the expectations placed on its implementation had not been fulfilled. On the contrary, protectionist measures as well as non-observance of GATT rules had led to an erosion of the GATT system and to a loss of confidence in its effectiveness. In his Government's view, the continuation of this situation would create further serious disadvantages for all contracting parties, and initiatives to reverse this trend were urgently needed. He recalled his delegation's statement at the November 1984 Session that progress could be made most effectively through new multilateral trade negotiations for which the unfinished items in the Work Program would

constitute an important basis. His delegation was encouraged by contracting parties' support for launching new multilateral negotiations, and took this as a clear sign that such an initiative was in the interest of all contracting parties, regardless of their stage of development. Establishment of the Senior Officials Group had permitted a useful exchange of views and information on this issue, even though the Group had been unable to agree on a report. Austria strongly supported the establishment, at the present Session, of a Preparatory Committee which could closely examine subjects and procedures for a new round of negotiations. The setting up of such a Committee would not be a formal commitment or decision to launch a new round.

On subjects to be included in the new round, contracting parties should be free to raise all issues of interest to them in the Preparatory Committee, to ensure that issues selected for negotiations would represent a fair balance of interests. Austria would bring no preconditions to the Preparatory Committee and expected the same of other contracting parties. While a list of priority issues of interest to all contracting parties could be useful, other matters should not be excluded. In particular, matters of interest to developing countries should be given appropriate attention. The principles of Part IV of GATT as well as the Enabling Clause (BISD 26S/203) should be maintained as a dynamic element in the economic development of individual developing countries. The Committee should aim at a renewed standstill commitment to enhance the credibility of new negotiations. Austria, together with its EFTA partners, intended to assume such a commitment, as had been most recently stated at the EFTA Ministerial Council meeting in May 1985 in Vienna. In view of the changes in the international trading environment, contracting parties should keep an open mind regarding new areas and the examination of whether existing GATT rules could be applied or would have to be adapted, or whether new rules and procedures would be needed. The question of trade in services deserved attention but had been overrated in contracting parties' deliberations. While accepting the need to examine this important sector of international trade, Austria felt it was evident that much basic ground-work had first to be done to clarify the issue, its scope and modalities according to which it might be treated, as well as the rules to be applied.

In view of the urgency of the matter, the Preparatory Committee should conclude its deliberations before the summer recess of 1986. Participation should be open to contracting parties, and to those observers applying GATT rules and having shown active interest in accession. The report of the Preparatory Committee should be submitted to a Ministerial meeting in the early autumn of 1986; this meeting would take the final decision on launching new multilateral trade negotiations and all questions related to them. In concluding, he said that his delegation stood ready to contribute in any way possible to help contracting parties to move forward with this important task without delay.

Mr. FITZGERALD (Australia) said that his Government supported a decision by the CONTRACTING PARTIES to set up, as soon as possible, a Preparatory Committee to launch a new round of trade negotiations. The Preparatory Committee should complete its work in, say, July 1986, and should report to a Ministerial meeting in September. There should be no preconditions on the establishment of this Committee which, itself, should determine the precise subjects and procedures for the negotiations. In carrying out its work, the Preparatory Committee should be empowered to request assistance from existing GATT committees and groups.

Australia believed the negotiations should encompass measures which restrained or distorted trade in all areas, and should have broad participation, including developing countries not presently contracting parties. The negotiations should aim at liberalizing trade and strengthening the operation of the multilateral system and the General Agreement itself. There was an urgent need for specific measures to arrest the deterioration of the world trading environment, as evidenced by the declining rate of trade growth. Of particular concern were signs that the trading system was deteriorating under increasing protectionist pressures and resort to unilateral action. Those trends, documented at the two special Council meetings in 1985, undermined the credibility of the General Agreement, as did the refusal by disputants to adopt panel reports and the resort by major trading nations to trade-war tactics.

It was important for success in any new round that all parties derive benefits, and that restoring a credible, non-discriminatory trading system would bring mutual benefits, including the fostering of trade growth on the basis of comparative advantage. Trade on that basis would, as the Study Group's report¹ had put it, translate the individual advantages of many countries into maximum productivity for all. He said that adjustment of industry structures was necessary in order to move in that direction. While his Government was actively pursuing such an approach, emphasizing the development of more internationally competitive industries, maximum benefit would be obtained only if trade barriers elsewhere were reduced. For this reason, Australia placed great importance on the objective of liberalization in the trade negotiations.

It was important that in the new round, concessions not be seen as losses, to be offered only if outweighed by reciprocal concessions, or held back until the end of the round and implemented over as long a period as possible. Such an approach would risk further damage to the multilateral system and showed a misunderstanding of the purpose and

¹"Trade Policies for a Better Future", circulated with C/133.

benefits of that system. In Australia's view, calls for parallel progress on different issues in the negotiations or package of results suggested this misguided approach; the need for trade liberalization and more effective trade rules was urgent and could not be held up by preconditions such as these.

The subjects of the forthcoming negotiations should include matters of concern to all trading countries, not just the major ones. The new round had to provide a framework for continuing adjustment and economic growth for all parties, whatever their trade profile or stage of economic development. Australia believed that this round would have to address the longstanding problem of the inequitable treatment of agricultural trade, and would have to ensure adherence to safeguard rules and return credibility to the dispute settlement mechanism. It would also have to promote a return to respect for GATT disciplines and the liberalization of markets for textiles, steel and other sensitive sectors. The question of developing a multilateral framework for trade in services would also have to be addressed. In short, the new round would have to deal with measures that impeded or distorted trade in any area. Implementation of the Work Program so far had shed light on problems in many areas of the trading system, but could not be considered to have covered all of them. For example, no progress had been made on procedures for eliminating or liberalizing existing quantitative restrictions or non-tariff measures. There was no mandate in the Work Program to address the imbalance of obligations on subsidies in the General Agreement and in the Code on Subsidies and Countervailing Measures. There had been no recommendation for direct liberalization of textiles trade, nor any recommendations for improvements in dispute settlement. While the Preparatory Committee had to take advantage of the results of the Work Program, it would have to be empowered to consider new solutions, new negotiating possibilities and problems not covered in the 1982 Ministerial Declaration.

In concluding, he said that a decision to establish a Preparatory Committee had to be taken, and Australia was prepared to do everything possible to help realize that goal.

Mr. HILL (Jamaica) said that in 1979 at the conclusion of the Tokyo Round, the major trading partners had sent a signal that the framework for international trade was secure until the end of the century, and that new trade negotiations were neither contemplated nor necessary. Even though there had been that clear signal, the world economy had plunged into a deep recession. The 1982 Ministerial meeting had also sought to send powerful signals of the CONTRACTING PARTIES' determination to restore growth and dynamism to the world economy. Yet, in spite of bold pronouncements and commitments to turn back the tide of protectionism, contracting parties continued to implement trade restrictions in contravention of the General Agreement. GATT's strength lay in the moral authority it wielded; however, contracting parties' individual and joint failure to live up to their commitments had virtually shorn GATT of any vestige of such authority.

He asked what signals contracting parties at this Session could send to the international investment and trading community, given the lack of common purpose which had characterized their work over the past two years. In 1984, contracting parties accounted for over 80 per cent of world trade; now was the time for them to take decisions for the survival of the open multilateral trading system. Those decisions should include the following: (1) credible and verifiable measures on standstill consistent with contractual obligations, in order to set the stage for further liberalization in GATT's traditional areas; (2) establishment of a Preparatory Committee, in which each contracting party could see its interest, with clear terms of reference to set the stage for a new round of trade liberalization; (3) effective ways to ensure that GATT and UNCTAD worked more cooperatively and constructively on ways to tap developing countries' potential. Consideration should be given to export credits for capital goods, monetary and fiscal policy stances, trade related investment, services, high technology, restrictive business practices and certain aspects of commodities, and on how such areas could be incorporated in GATT. The present state of the world economy and its potential to contribute to economic welfare required that contracting parties reaffirm their commitment to the open multilateral trading system.

He quoted from the Preamble of the General Agreement and said that contracting parties, in agreeing to the Articles of the General Agreement, had launched a multilateral system which had been an integral element of a period of unparalleled growth and prosperity. There were signs, even if only tentative, that constructive steps were being taken in the international monetary and financial fields. However, in the area of commodities, the prospects remained bleak. Action was necessary to break the stalemate and to turn decisively away from protectionism. GATT had to show now that it could make a contribution by guaranteeing and strengthening the open multilateral trading system.

Mr. HUSLID (Norway, speaking on behalf of the Nordic countries¹) said that over the past year the multilateral trading system had been further eroded and that GATT's credibility had been progressively weakened. The threats of protectionism, bilateralism and managed trade were on the horizon. It was the task of the CONTRACTING PARTIES to reverse those trends, to promote further trade liberalization and to adapt GATT to the changing economic environment. Broad negotiations would be the most efficient way of achieving concrete results. The 1982 Work Program was an obvious starting point for a new round, which would be indispensable for providing a framework conducive to substantive progress.

¹Finland, Iceland, Norway and Sweden.

The Nordic countries saw standstill as an important element to enhance the credibility of the process leading towards a new round, which should cover the main interests of all participants and should emphasize matters of interest to developing countries, especially the least-developed. The principles of Part IV and the Enabling Clause should be the basis upon which developing countries should participate, by making reciprocal commitments to the extent that their level of individual development, financial and trade needs permitted.

The Nordic countries agreed that the CONTRACTING PARTIES had the responsibility to address new areas such as trade in services. However, this was a broad and heterogeneous field, and the Nordic countries were flexible as to how the negotiating objectives and modalities regarding trade in services should be developed.

The Nordic countries considered that the close interdependence between trade and the financial and monetary systems indicated a need for multilateral development of policies in the respective fields. They believed the best contribution that GATT could make would be to begin a new round. However, it would be counterproductive to make trade negotiations conditional upon progress in other areas and vice versa.

The clarification phase of the preparatory process had been exhausted. It was now necessary to establish a Preparatory Committee, the mandate of which would be to identify subjects to be negotiated and to develop procedures for the new round, which should begin in 1986. No specific preconditions should be attached to the establishment and scope of the Preparatory Committee. The Nordic countries recognized that strict adherence to existing commitments and GATT disciplines was of great importance in the current phase of preparations, in order to enhance the credibility of a new round and to create a favourable negotiating climate. They understood that the final decision on launching a new round would be taken only when the Preparatory Committee had finished its work.

Mr. MIZOGUCHI (Japan) said GATT had been unable to stem the protectionist trend over the past several years. The very reason for GATT's existence was now being questioned, from both within and without. It was not an exaggeration to say that GATT stood in danger of collapse. He called for the contracting parties to unite in their efforts to restructure and revitalize GATT so as to make it an effective institution for resisting protectionism and expanding world trade. Japan believed that the initiative which could attain that end was a new round of multilateral trade negotiations. He expressed concern that more than two years had passed since Japan and other countries had proposed a new round. Each contracting party should be determined to iron out differences of view in what was clearly the common interest of all.

He noted the significant slowdown in the expansion of world trade and stated Japan's belief that success in regaining dynamic growth depended on the success of the new round. The main aim of the present Session was to establish a Preparatory Committee for the new round. Japan considered that the Senior Officials Group had reached a consensus, including most developing countries, on early launching of a new round and on the need to start the formal preparatory process. All the steps towards establishment of the Committee had been taken, so the formal decision could be made immediately. It was necessary to move forward smoothly and quickly in the preparatory work and to begin the negotiations as early as possible in 1986. Delay in launching the new round would seriously harm the world economy, and the consequences of a failure to start a new round would be disastrous.

He noted that the Japanese submission (L/5833) presented the view that the new round should cover a broad range of items in which all participating countries were interested. His Government had been vigorously resisting protectionism and had introduced a series of external economic measures to improve Japan's market access. Japan considered it most important that all countries continue to make efforts not to introduce any new protectionist measures.

He stressed that in the new round, Japan intended to give full consideration to the interests of developing countries.

The meeting adjourned at 6 p.m.