

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Forty-First Session

SUMMARY RECORD OF THE SIXTH MEETING

Held at the International Labour Office
on Thursday, 28 November 1985, at 11 a.m.

Chairman: Mr. P. Rantanen (Finland)
(before the recess)
Mr. F. Jaramillo (Colombia)
(after the recess)

Subjects discussed: - Activities of GATT (continued)
- Report of the Senior Officials
Group (continued)
- Report of the Council (continued)

Activities of GATT (continued)

Report of the Senior Officials Group (continued)

Mr. BAJWA (Pakistan) referred to the deepening crisis in the international trading and financial systems and to the unprecedented increase in protectionism. A new, bolder approach was needed, together with a recognition that trade policy should not be made to suffer for fiscal and monetary problems. While he welcomed the political will now shown by developed countries to address monetary problems in a coordinated way, he stressed that further efforts would be required in this area to ensure adjustment through growth by both developing and developed countries.

Although Pakistan was prepared to deregulate its economy and to engage in new multilateral trade negotiations, together with other developing countries, it faced increasingly difficult conditions for its exports, particularly in the fields of agriculture and textiles. The voluntary restraint agreements concluded in other sectors also boded ill.

While his delegation supported preparatory work towards a new round of multilateral trade negotiations he stressed that: it would be necessary for the major proponents of the new round to mobilize the necessary domestic support for liberalization in all sectors of trade; a positive

and mutually reinforcing linkage should be established between the new round and the MFA negotiations; the interests of developing countries should at no point be jettisoned; the problems of weaker contracting parties, especially in agriculture, should not be set aside in the course of bargaining among major contracting parties; the integrity of the 1982 Ministerial Declaration and Work Program should be respected both in terms of content and priorities; while the various groups on different elements of the Work Program prepared their submissions to the Preparatory Committee, the latter should consider first the objectives of the new round and the issues of safeguards, stand-still and roll-back; the issue of services, for which further study was needed, should be kept separate and the developing countries' positions taken into account.

Mrs. GARCIA (Cuba) said that protectionist measures taken by developed countries had recently become a predominant feature in international trade. Exports from developing countries faced a complex and broad array of tariff and non-tariff measures in the markets of the industrialized countries. In particular, the negative effect of tariff escalation constituted a major impediment to the industrialization process. She also pointed to the harmful effects on developing country exports, of quantitative import restrictions, variable levies, voluntary restraint agreements, discriminatory practices, countervailing duties, technical barriers to trade, and production and export subsidies. Furthermore, protectionism had also increased in those mechanisms, such as the Multifibre Arrangement, with which developing countries had to comply in order to export to developed countries.

Cuba considered that such protectionism had evolved without deference to the rules and obligations of the international trading system provided in GATT. Trade relations were becoming increasingly bilateral and were moving ever further from multilateralism, which should be the mechanism for resolving economic and trade problems.

The deterioration of the developing countries' terms of trade and debt situation, higher interest rates and lower prices of raw materials, were combining into a dangerous spiral. This ominous situation had been further aggravated by the continued non-implementation of GATT rules and of the commitments made in the 1973 Tokyo Declaration and the 1982 Ministerial Declaration, among others. This situation created insecurity and clearly did not provide any guarantees for a better future.

She recalled that Cuba had supported various statements by developing countries in GATT which had fully described the situation which they faced. The impasse on issues of major interest to developing countries was evident; it was necessary for those issues to receive priority treatment in future negotiations.

Cuba understood that there was no consensus for multilateral action on new areas, such as services, for reasons which had already been put forward by others. The best manner in which to proceed on services would be to continue the exploratory phase of exchanging information; once this stage was concluded, each contracting party would be able to understand the consequences of multilateral action, if a consensus decision to take such action should eventually be taken.

A new round of trade negotiations on goods would be credible only if its results could be useful in solving the economic problems confronting the world and developing countries in particular. Developed countries should take concrete measures on a commitment to standstill and rollback before launching a new round; such measures would stimulate participation by developing contracting parties. It was also important that the principle of more favourable treatment for developing countries be respected throughout the work of the Preparatory Committee and during the negotiations themselves.

Mr. JUNG (Czechoslovakia) said that the present Session was taking place at a difficult time when the growth of world production and trade had slowed and global protectionist pressures had increased. As in previous years, progress in 1985 on implementation of the 1982 Work Program had been slow, particularly in certain key areas, and there had been no break-through on important issues. In the light of this situation, Czechoslovakia believed there was a need for action to assure the proper functioning of the multilateral trading system and increased trade liberalization. The Special Session in September had begun a preparatory process on the proposed new round of multilateral trade negotiations. The meetings of the Senior Officials Group had allowed contracting parties, including Czechoslovakia, to set forth their individual concerns and interests and had revealed the complexities and different perceptions of the issues.

Regarding the preparatory process for the new round, he said that implementation of existing GATT commitments, clarification of the relationship between the proposed negotiations and the Work Program, participation in the new round, as well as a more precise determination of the subjects to be included would be important considerations. The most important precondition for success of any new round was the prospect that all participating countries' trade problems would be dealt with equitably, and that all would benefit adequately. The honouring of existing GATT commitments such as m.f.n. treatment, non-discrimination, standstill and rollback would help create a negotiating climate conducive to success. Participation in the new round should be as wide as possible and should include non-contracting parties wishing to contribute; this would help enlarge market access on as broad a basis as possible, and would strengthen the multilateral trading system. Priority should be given to the elimination and liberalization of quantitative restrictions and other non-tariff measures, and to an effective and universally applied understanding on safeguards.

Participation in the proposed round would to a great extent depend on the success that might be achieved in those two key areas as well as in curbing protectionism and improving market access. Other priorities included those his delegation had mentioned at the Special Session.

He said that some of the new issues were of growing importance and should be explored, preferably on a step-by-step basis, since much basic ground-work had still to be done to clarify them. However, the progress on outstanding issues of trade in goods should not be delayed by deliberations on the new issues. New multilateral trade negotiations would require careful preparation. Further clarification and better understanding of the treatment of the basic issues of those negotiations, and further efforts to harmonize contracting parties' views and approaches, would broaden support for the new round.

In concluding, he said that Czechoslovakia was ready to participate further in the preparatory process and supported the establishment of a Preparatory Committee to consider the objectives, subjects and procedures of the new round. A decision to this effect should take into account the positions, and reflect the interests, of all contracting parties.

Mr. AWORI (Uganda) expressed serious concern at the alarming rate of erosion of GATT principles due to increasing protectionist measures. Many developing countries continued to remain net importers and producers of raw materials; consequently, their industrialization programs had been hampered. He added that Uganda's manufactured exports had been inhibited by high customs duties and other protectionist measures and had to face unfair competition from counterfeit goods. In addition, the prices of raw materials continued to decline, adversely affecting his country's export earnings.

Uganda joined unconditionally those contracting parties that had called for launching a new round of multilateral trade negotiations and had requested establishment of a Preparatory Committee which would identify the objectives, subjects and procedures for the new round. His delegation felt that more time and resources to study the services issue would be needed before undertaking firm commitments at the Ministerial meeting to launch the new round. Uganda wondered whether a hasty move to include trade in services in GATT would not be another "carte blanche" for the powerful industrialized economies to continue subjugating and exploiting developing countries' young and fragile economies.

Mr. DUMITRESCU (Romania) said that the international economic environment remained uncertain despite growth in the world economy and international trade in 1985. Economic and financial difficulties, which persisted in most developing countries, were linked to difficulties of access to markets of developed countries, fluctuations in exchange rates, high interest rates and external debt. Isolated liberalization

measures taken unilaterally by a few countries had not helped to improve the international trading environment. Urgent measures had to be taken within GATT to strengthen the multilateral trading system and to improve the trade and financial situation of developing countries; this would have favourable effects on the world economy as a whole.

Divergencies in problems encountered by contracting parties had resulted in different views concerning the objectives and procedures for a new round. The CONTRACTING PARTIES should agree on the elements of a compromise which would not encroach upon the interests of any country, so as to break the present deadlock.

Romania was not satisfied with implementation of the 1982 Work Program. Developed countries had not fulfilled their commitments to resist protectionist pressures and, in particular, to eliminate those measures which did not abide by the rules of the General Agreement, including export restraints, orderly marketing arrangements, arbitrary safeguard measures and unilateral restrictions. Despite the increase in world trade, certain contracting parties showed a tendency to prefer regional, bilateral or even unilateral approaches to trade problems. The number of sensitive sectors had also increased. Anti-dumping proceedings were being used increasingly for protectionist ends. Contracting parties should reinforce their dialogue and cooperation in order to find solutions that were acceptable to all in the new round. Different points of view had to be brought closer in order to make progress in preparing for the new round.

The new round should aim at reinforcing the international trading system on the basis of GATT principles and rules, liberalizing trade, and eliminating barriers to trade in manufactured and agricultural products. In order to provide an appropriate climate for the negotiations and to ensure their credibility, it was necessary that the contracting parties undertake not to introduce new restrictions, to eliminate restrictions introduced after the 1982 Ministerial meeting, to withdraw measures applied for non-economic reasons, and to grant most-favoured-nation treatment without setting political conditions.

The new round should also aim at eliminating excessive import restrictions introduced under the pretext of market disruption, and at providing clear definitions of the notion of "prejudice" and "threat of prejudice". Particular attention should be given to more favourable treatment for developing countries on a non-discriminatory basis. The negotiations should be transparent and organized to promote the interests of all contracting parties at every stage. They should also take into account the interaction between trade and monetary questions, since solution of the latter was essential to increase the share of the developing countries in world production and trade.

Mrs. PEREIRA (Nicaragua) said that the Chairman's introductory comments had pointed out the major trends in the world economy, and in particular, the slowdown of economic growth, the deteriorating relationship between growth and trade, and the increase of protectionism and managed trade. The economic recovery had been unevenly spread, had been smaller and less sustained than expected, and had not affected the developing countries in the way its proponents had predicted.

The negative effects of high interest rates on capital markets and on debt servicing, the continued deterioration in developing countries' terms of trade and the disorder of the monetary system had put those countries in an alarming situation. The interdependence of the world economy called for global political compromises. A deep-rooted solution was necessary to prevent the current financial crisis from destroying the international economic system, and to establish a basis for the debtor nations' economic recovery. Such recovery depended on more than solving the problems of the strong countries alone. International trade was an important element in attempts to achieve a global solution; GATT, therefore, was called upon to play a fundamental rôle.

To stimulate trade, it would be necessary to strengthen the multilateral trading system, to liberalize market access, and to increase and improve the developing countries' participation in world trade. The strengthening of GATT should precede a new round of negotiations, the principal objective of which would be market expansion. Improved participation by the developing countries would result from these measures. In order to strengthen GATT rules and mechanisms, it would be necessary to fulfil commitments on standstill, rollback, and non-application of trade measures for non-economic reasons, dispute settlement and safeguards.

Standstill and rollback commitments were nothing more than the commitment to apply the General Agreement and were, therefore, not negotiable. The safeguards issue was fundamental to the efficient functioning of the multilateral trading system. An agreement in this area would guarantee the results of liberalization, both past and future, and would contribute to re-establishing confidence in the trading system. The Safeguards Committee should be reactivated so that it could again take the initiative in negotiating such an agreement. Should this work not be completed by the time the new round began, safeguards should be a priority issue in the negotiations. The functioning of the dispute settlement mechanism was essential for GATT's credibility, and Nicaragua supported the establishment of a body to oversee the implementation of existing dispute settlement commitments. Possible improvements in the dispute settlement system could be discussed during the negotiations themselves.

The agricultural sector, and tropical products in particular, should be given priority in market liberalization. Part IV and the principle of more favourable treatment for developing countries should guide all phases of the negotiations, since these were an integral part of the General Agreement. Nicaragua supported the statement by Argentina on services (SR.41/2), and considered that this issue needed to be examined in more depth. Discussion of services should be continued within the group established by the CONTRACTING PARTIES, and any final decision on the matter should be deferred.

Nicaragua supported establishment of a Preparatory Committee for the new round of negotiations and stressed the importance of the principle of consensus in GATT decision-making.

Mr. ZAIN (Malaysia) recalled the problems besetting the international trading system and developing countries. Malaysia's efforts to expand its foreign trade were being frustrated by increasing protectionism. The situation was being aggravated by failure to translate past commitments, such as the 1982 Work Program, into actions, by failure to stem the tide of protectionism, and by the macro-economic policies of certain developed contracting parties. However, a will now existed to move forward. Even against the odds, the General Agreement should be adhered to and strengthened where necessary.

He urged that at this stage, and during the proposed new round, due regard should be paid to the difficulties faced by his country and other developing contracting parties, so that in the end all GATT members would stand to gain. The deliberations in the Senior Officials Group had pointed to the possibility and need for dialogue on the basis of mutual respect for different points of view.

Malaysia supported setting up a Preparatory Committee for the new round and urged recognition of the sovereignty of all contracting parties, none of which should seek to impose its will on others. While his delegation was not opposed to GATT adapting to changing conditions, it would remain apprehensive until further study and clarification of issues had been carried out.

Mr. MBAGA (Tanzania) said that the least-developed countries faced acute problems and therefore needed to be granted additional preferential treatment in international trade. He supported the statement by Bangladesh which had referred extensively to these issues. He also expressed appreciation to the member States of the European Communities, the Nordic countries and other contracting parties which had recognized the need of least-developed countries to receive additional preferential treatment in the new round of multilateral trade negotiations. Tanzania intended to pursue these issues both in the Preparatory Committee, which he hoped would be established at the present Session, at the Ministerial meeting to launch the new round, and in the course of the negotiations themselves.

Mr. QIU (China), speaking as an observer, said that as a result of his country's policy of opening to the outside world, its external relations in the fields of economy, trade and technical co-operation had grown rapidly in recent years. China had strengthened its contacts in the multilateral economic and trade fields and had expanded its involvement in GATT activities. His Government was actively engaged in preparing the resumption of China's GATT membership, and would make a formal application in due course. His country would consider positively its participation in the proposed new round of multilateral trade negotiations, and hoped that these would help to develop world trade and particularly to create favourable conditions for the growth of developing countries' trade.

Mr. LARREATEGUI (Ecuador) speaking as an observer, said that the present Session created great expectations for all countries, particularly for the developing countries whose development efforts were hampered by their foreign debt. He stressed the need for those countries to expand their exports, particularly in agricultural products, and to increase their production of processed and semi-processed goods, as this was the only solution to the debt problem. The rapid development of those countries' economies would also benefit the developed countries by contributing to trade expansion. Political will on the part of the developed countries was essential, and protectionist policies should be set aside. Declarations in favour of trade liberalization would have to be followed by actual liberalization measures, and improved application of standstill commitments and GATT disciplines.

Turning to recent developments in international trade in cocoa, he said that the decrease in world demand for this product would create a serious problem for Ecuador and for other developing countries in need of foreign exchange, and appealed to the Community not to adopt measures which would damage the developing countries' export possibilities in this product.

New initiatives and action were required in international trade, including common efforts to respect standstill and rollback commitments. Developing countries needed more favourable treatment as provided for in the General Agreement, as well as a liberalization of trade in agriculture. In concluding, he said that his delegation looked forward to a new round of negotiations in which all these issues should be considered. Ecuador felt that services was not within the competence of the General Agreement and should be studied in depth before being dealt with in GATT.

After a recess and following consultations among delegations, the CHAIRMAN read out and submitted for adoption the following text:

"The CONTRACTING PARTIES,

"In pursuance of the 1982 Ministerial Decision on Services, and

"In accordance with the Agreed Conclusions adopted by the CONTRACTING PARTIES on 30 November 1984,

"decide to invite contracting parties to continue the exchange of information undertaken in pursuance of the Agreed Conclusions of 30 November 1984, and to prepare recommendations for consideration by the CONTRACTING PARTIES at their next Session."

The CONTRACTING PARTIES adopted the Decision (L/5924).

The CHAIRMAN then read out and submitted for adoption the following text:

"The CONTRACTING PARTIES decide that:

- "1. the Preparatory Committee is established to determine the objectives, subject matter, modalities for and participation in the multilateral trade negotiations, taking into account the elements of the 1982 Ministerial Work Program and the views expressed in the Group of Senior Officials;
- "2. the Preparatory Committee is open to any contracting party or country which has acceded provisionally to the GATT;
- "3. the Preparatory Committee will prepare by mid-July 1986 recommendations for the program of negotiations for adoption at a Ministerial meeting to be held in September 1986."

The CONTRACTING PARTIES adopted the Decision (L/5925).

The CHAIRMAN noted that it had emerged from the debate that the questions of standstill and rollback, treatment of developing countries and safeguards should constitute important issues for the work of the Preparatory Committee.

The CONTRACTING PARTIES took note of the Chairman's statement (L/5925).

He added that it was his understanding that countries which are negotiating for accession to GATT may also attend the Committee as observers. Countries which have already formally requested accession will thus be able to attend the first meeting of the Committee.

The CONTRACTING PARTIES took note of the Chairman's understanding (L/5925).

MR. LUYTEN (European Communities) expressed thanks to all the contracting parties.

MR. HILL (Jamaica) supported the statement by the European Communities. He recalled that Jamaica had supported establishment of the Preparatory Committee and would now support that body's work. The CONTRACTING PARTIES had taken another step in the preparatory process leading towards the proposed new round. He noted that paragraph 3 of the Decision to set up the Preparatory Committee left open whether that body would submit its recommendations for adoption by the CONTRACTING PARTIES, or by Ministers not acting as contracting parties. Jamaica saw the preparatory process, which would culminate in a new round of negotiations, as likely to require appropriate decisions by contracting parties. Several of the proposals under consideration clearly had the intent to update, adapt or extend the scope of the General Agreement, and were consequently perhaps of a rule-making nature. This was why Jamaica had indicated a clear preference for contracting parties, acting as such, to "have a first bite at the cherry".

Many representatives expressed thanks to those, particularly the Chairman, whose special efforts had led to the decisions that had just been taken.

MR. FITZGERALD (Australia) said it was his delegation's interpretation of the first sentence of the Chairman's understanding on participation in the Preparatory Committee, that any country which entered into formal negotiations during the period of the Preparatory Committee to accept the full obligations of the GATT would be able to attend the Committee as an observer.

MRS. OSTRY (Canada) expressed her Government's support for Australia's statement.

MR. BARROS VAN BUREN (Chile) noted that apart from the questions to which the Chairman had referred in his statement following establishment of the Preparatory Committee, there were other subjects, which Chile and other delegations had raised both in the Senior Officials Group and at the present Session, which were important for the Preparatory Committee's work.

MR. MIZOGUCHI (Japan) said his Government supported broad participation in the new round. The question of participation in the Preparatory Committee would not prejudice participation in the new round.

MR. LACARTE (Uruguay) supported Jamaica's statement.

MR. NOTTAGE (New Zealand) supported Australia's statement.

MR. LOPEZ NOGUEROL (Argentina) expected that certain questions of particular importance to his delegation would be discussed in the Preparatory Committee.

The CONTRACTING PARTIES took note of the statements.

The meeting adjourned at 1.30 p.m.