

GENERAL AGREEMENT ON

RESTRICTED

C/M/243

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TARIFFS AND TRADE

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COUNCIL

14 June 1990

MINUTES OF MEETING

Held in the Centre William Rappard
on 14 June 1990

Chairman: Mr. Rubens Ricupero (Brazil)

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1. Status of Work in Panels and Implementation of Panel Reports
- Report by the Director-General (C/172)

The Director-General recalled that every six months, normally at the November and June Council meetings, he issued a report on the status of work in panels and implementation of panel reports. Since the current report (C/172) marked just over one year's experience with the improved GATT dispute settlement procedures of April 1989¹, it seemed appropriate to consider the entire twelve-month period.

Over the past year, the Council² had established three new panels subject to the improved procedures. In each of these cases the deadlines provided under the new rules had been respected, and the establishment, composition and terms of reference of the panels had been agreed without delay. On the other hand, many of the disputes dealt with by the Council over the last twelve months had been initiated before April 1989 and were therefore not subject to the new rules. Nevertheless, these cases appeared to have benefited from the spirit of the new procedures: leaving aside the sugar waiver report to be discussed at the present meeting³, the seven reports presented to the Council over the last twelve months had all been adopted.⁴ The adoption stage now took less time than before; on average, adoption occurred at the third Council meeting following circulation of a panel report. Despite these improvements, three panel reports still

¹Improvements to the GATT Dispute Settlement Rules and Procedures - Decision of 12 April 1989 (L/6489).

²EEC - Restrictions on exports of copper scrap - July 1989 (C/M/235); United States - Countervailing duty on pork from Canada - December 1989 (SR.45/2); and Thailand - Restrictions on importation of and internal taxes on cigarettes - April 1990 (C/M/240).

³See Item 4.

⁴Korea - Restrictions on imports of beef - Complaints by the United States, Australia and New Zealand (L/6503, L/6504, L/6505, C/M/237); EEC - Payments and subsidies paid to processors and producers of oilseeds and related animal-feed proteins (L/6627, C/M/238); EEC - Regulation on imports of parts and components (L/6657, C/M/241); Canada - Restrictions on imports of ice cream and yoghurt (L/6568, SR.45/2); and EEC - Restrictions on exports of copper scrap (DS5/R, C/M/239).

remained to be adopted.⁵ These reports had one element in common: their adoption would not require any changes to existing national legislation, either because the measures complained against had been terminated, or because they had not been found to be inconsistent with the General Agreement. He believed that contracting parties should give serious consideration to the adoption of all panel reports without exception.

Over the past year the Council had frequently heard statements about the delayed or GATT-inconsistent implementation of panel reports. Moreover, in four instances the party complained against had informed the Council that the adopted panel report would be implemented only in conjunction with the conclusion of the Uruguay Round. In this connection, contracting parties would agree that the panel process was designed to protect rights acquired in previous negotiations and that therefore prompt, good-faith implementation of adopted panel reports was essential in fostering confidence in the commitments being negotiated in the Uruguay Round.

His review of the dispute settlement process over the past twelve months led him to consider that the mechanism's state of health had improved. Although it was too early for a definitive analysis of the effects of changes made in April 1989, the results so far had shown a significant improvement in the dispute settlement process up to the stage of adoption of panel reports. However, his review had also shown that there was still a need for substantial improvement in the area of implementation of panel reports.

Noting that he had not so far referred to the dispute settlement procedures under the Tokyo Round multilateral agreements, he expressed concern about the situation in respect of the Subsidies Code⁶. He also expressed concern about the length of the panel process in one particular case⁷ related to the Anti-Dumping Code⁸.

The representative of Australia noted with satisfaction the progress made in the implementation of the report on Australia's complaint against Korea's beef-import restrictions (L/6504). At the May Council meeting,

⁵ Canada - Measures concerning the sale of gold coins (L/5863); United States - Trade measures affecting Nicaragua (L/6053); and United States - Restrictions on the importation of sugar and sugar-containing products applied under the 1955 Waiver and under the Headnote to the schedule of tariff concessions (L/6631). See item 4.

⁶ Agreement on Interpretation and Application of Articles VI, XVI and XXIII (BISD 26S/56).

⁷ United States - Anti-Dumping duties on imports of stainless steel tubes and pipes from Sweden (ADP/M/25; ADP/43).

⁸ Agreement on the Implementation of Article VI (BISD 26S/171).

Australia had reported on its discussions with Korea on the liberalization of the latter's beef régime. In contrast to Korea's moves towards the implementation of the panel's recommendations in that matter, Japan had still not fully implemented the recommendations of the Panel on its restrictions on imports of certain agricultural products (BISD 35S/163), which had been adopted in February 1988. One category covered by that report included dairy products of substantial export interest to Australia, which continued to reserve its rights to pursue this matter further in accordance with GATT provisions and procedures. Therefore, this case should appear in the Director-General's report. Australia also continued to be concerned at the failure of the United States to implement the recommendations of the Panel report on its sugar-import restrictions (L/6514), adopted one year earlier. At the May Council meeting, the United States had anticipated notifying contracting parties of its decision on this matter in the near future. He asked if the United States had anything to report at the present meeting.

The representative of Argentina said that it was important to stress the Director-General's reference to the improvement in meeting deadlines and in the adoption of panel reports. However, it was a matter of special concern to Argentina that panel reports adopted by the Council were not being implemented because of a link that was being made in certain cases to the results of the Uruguay Round negotiations. Argentina considered, like the Director-General, that panel recommendations should be implemented bearing in mind contracting parties' existing rights under the General Agreement, acquired through previous negotiations. It was important that the contracting parties concerned reconsider their attitude and implement panel recommendations with the promptness necessary for an effective strengthening of the General Agreement.

The representative of the European Communities said that while there had been a notable improvement in many parts of the dispute settlement process, the Director-General had clearly identified one weak area -- implementation of panel recommendations. At the present time, implementation was not fully assured and even when there was a follow-up, this tended to be slow and incomplete. This was a general problem, endemic in the system as it presently existed, and was a particular task to be completed in the Uruguay Round.

The representative of the United States said that the Director-General's report had provided tangible evidence of the most serious problems in the GATT dispute settlement process: blockage of the establishment of panels and consequent delays, blockage of adoption of panel reports, and failure to implement panel recommendations within a reasonable time. The results of the Uruguay Round Negotiating Group on Dispute Settlement in the Round's mid-term review had been very positive, and had already led to noticeable improvements in the system. However, it was recognized that the most significant problems in the dispute settlement process still needed to be resolved. He called on all to continue to work together to ensure that after the conclusion of the Round the Director-General would no longer have to issue reports on the status of

work in panels and implementation of panel reports. Lastly, he said that the United States had no additional developments to report on at this time in response to Australia's query.

The representative of Mexico recalled that Mexico had always been in favour of prompt adoption of all panel reports, considering this to be essential for the rapid and effective resolution of disputes among contracting parties, and for the continued well-functioning of the multilateral trading system as embodied in the GATT. Mexico had expressed the same position, together with some additional ideas, to the Negotiating Group on Dispute Settlement in order to urge not only the adoption but, above all, the prompt implementation of panel conclusions and recommendations. Mexico's position as spelt out above had been clearly stated on many occasions and was well-known, and would extend to the other items on the present meeting's agenda that involved dispute settlement, including the Panel report under consideration in item 4. So as not to repeat this position again, he asked that Mexico's views be reflected under those items as well.

The representative of New Zealand found the Director-General's report quite encouraging, but appreciated that it had rightly highlighted some weak areas and had pointed to the wider significance of follow-up in terms of confidence building for the grander exercise: the Uruguay Round. He added that like Australia, New Zealand believed that, unless further information had come to the attention of the Secretariat, the Panel report on Japan's restrictions on imports of certain agricultural products should continue to appear in the Director-General's status report.

The representative of Japan said that while on the whole the GATT dispute settlement process had been working well, there had been some instances where panel reports had not yet been implemented, as in the case of the report on the Community's regulation on imports of parts and components (L/6657). Japan urged once again that this particular report be implemented as quickly as possible.

The Director-General said that he had noted the comments by Australia and New Zealand in respect of a specific panel report that this was a matter to be pursued.

The Council took note of the statements, and of the Director-General's report in C/172.

2. Korea - Restrictions on imports of beef
- Follow-up on the Panel report (L/6505)

The Chairman recalled that the Council had considered this matter at its May meeting, and had agreed then to revert to it at the present meeting.

The representative of New Zealand said that he had hoped to have been able to report on the outcome of bilateral consultations regarding the implementation of the Panel report on Korea's restrictions on beef imports

from his country (L/6505). However, at Korea's request, negotiations had been postponed until later in the month. New Zealand expected, therefore, to be able to revert to this matter at the next Council meeting. From New Zealand's statements at previous Council meetings, contracting parties were aware of the GATT principles that in New Zealand's view should form the foundation of a bilateral outcome on beef access consistent with the Panel's recommendations.

The representative of Korea recalled that at the May Council meeting his delegation had informed contracting parties that, following agreements reached with Australia and the United States, his Government had proposed to consult with New Zealand. These consultations would be held in Seoul on 25 and 26 June, and Korea looked forward to an early and successful outcome. After an agreement with New Zealand had been reached, Korea would report to the Council on the details of the three agreements.

The Council took note of the statements.

3. Canada - Import restrictions on ice cream and yoghurt
- Follow-up on the Panel report (L/6568)

The representative of the United States recalled that after having agreed to adopt the Panel report (L/6568), Canada's only response to date had been a proposal in the Uruguay Round Negotiating Group on Agriculture that Article XI be modified in a manner which would legitimize its ice cream and yoghurt and other agricultural quota systems. The United States, among others, had found that proposal to be in conflict with the agreed objectives of the Round to liberalize agricultural trade, and, therefore, totally unacceptable. He asked what more Canada was doing to implement the report.

The representative of Canada recalled that when the report was adopted, Canada had indicated that it would be considering its implementation in the context of the outcome of the Uruguay Round. The report had noted in paragraph 60 that there existed "dissatisfaction with Article XI:2(c)(i) and that its revision was under discussion". The Panel had recommended that Canada either terminate the restrictions or bring them into conformity with its obligations under the GATT. Article XXIII gave contracting parties "reasonable time" to effect a satisfactory adjustment. Given that rights and obligations with respect to agriculture were under discussion in the Round, which was scheduled to conclude before the end of 1990, Canada considered it "reasonable" to await the outcome of the Round before deciding on implementation.

The representative of the United States said that US exporters continued to be adversely affected by Canada's ice cream and yoghurt import restrictions. Over the preceding several months, the United States had appealed to the highest levels of the Canadian Government for interim relief for potential US exporters, and had clearly indicated that it would

be prepared to defer a final settlement until after the Uruguay Round had been concluded. Canada had replied that there would be no change because its dairy industry would not approve even a small increase in ice cream and yoghurt quotas. Finding the present situation frustrating and unacceptable, the United States believed the circumstances to be serious in GATT terms. It hoped that an amicable solution with Canada would be possible, but reserved its GATT rights.

The representative of Australia said that this case, like several others involving panel reports on agricultural obligations, raised the issue of the integrity of the dispute settlement mechanism. Australia found unacceptable the delay in implementation. In this respect he recalled the Director-General's view, expressed under item 1, that the prompt implementation of panel reports was essential in fostering confidence in the commitments being negotiated in the Uruguay Round, and that reports presently before contracting parties reflected current obligations and not those which might result from the Round. Australia did not consider legitimate the linkages made to the Uruguay Round in this and other cases; making such linkages weakened the dispute settlement mechanism and confidence therein.

The representative of Argentina agreed with Australia and expressed particular concern that some contracting parties called on others to respect their GATT obligations, but made certain linkages with the Uruguay Round negotiations instead of fulfilling their own obligations. Argentina insisted that the contracting parties concerned implement the relevant reports adopted by the Council. This was important for the strengthening not only of the dispute settlement system, but also of the respect for the rights and obligations of all contracting parties under the General Agreement.

The representative of Canada said that one of the real problems in GATT's treatment of agricultural trade was that there existed no single set of rules governing such trade. Large numbers of contracting parties operated outside of GATT rules in this sector, whether through waivers, protocols of accession or other provisos. One also encountered situations such as the one presently being discussed. His delegation's view was that these matters would not be resolved until the Uruguay Round resulted in one common set of rules for agriculture against which all contracting parties would square their individual agricultural policies. He would merely observe that it was very difficult to make a dispute settlement system work if the rules were not clear, well-articulated and fair.

The representative of Tanzania recalled that when this dispute had come before the Council, his delegation had not made any comments because Tanzania had already been on record as having made it clear that agriculture, as seen by the industrialized countries and as it was in reality in most developing countries, represented two different things. Agriculture had become very much part of the industrial process in many industrialized countries. For instance, yoghurt and ice cream were more industrial than agricultural products, once account was taken of their

production, including the packaging, marketing and technical services involved. Tanzania remained open as to how the final Uruguay Round outcome would deal with this dilemma.

The Council took note of the statements.⁹

4. United States - Restrictions on the importation of sugar and sugar-containing products applied under the 1955 Waiver and under the Headnote to the Schedule of tariff concessions
- Panel report (L/6631)

The Chairman recalled that in June 1989 the Council had established a panel to examine the complaint by the European Economic Community. At its meetings in February, April and May, the Council had considered the Panel's report (L/6631), and in May had agreed to revert to this item at the present meeting.

The representative of the United States emphasized that this was the fourth time the Council was considering this report, and that the United States was, therefore, requesting its adoption at the present meeting. The Community had so far delayed adoption by means of comments which misrepresented the content and implications of the report, and by spurious argumentation that called for the Council merely to take note of it. The report, however, was neither flawed nor inaccurate in its findings, and there was no justification for the Community's continued efforts to reargue this case in the Council. The United States had endeavoured to set the record straight by drawing attention to what the report had actually said, and by identifying the fallacy of the Community's contention that the Council should merely take note of it. Numerous contracting parties had expressed strong support for the report's adoption, while none had expressed support for the Community's continuing blockage thereof. It was clear now that adoption of this report was of considerable importance to the GATT as a whole, and not just to one or another contracting party. If the April 1989 improvements to the dispute settlement mechanism (L/6489) were to have any meaning at all, this report should be adopted without further delay.

The representative of the European Communities said that the United States was not always aware of the various shades of meanings involved. The Community had brought to light the many nuances of this report which it wished to share with other Council members. The question was not one of the Community being mechanical in its position concerning adoption or non-adoption. Indeed, behind all this lay very important political and real-life problems of principle. At the very least, one should go about the various decisions to be adopted in a serious fashion, and the Community was prepared to contribute to this exercise.

⁹Including Mexico's statement under agenda item 1.

First, the Community had asked itself a number of questions, and some headway had been made in bringing about a conciliation between seemingly very opposed original positions. Although the Community did not have any support from a number of contracting parties, its weight was nevertheless considerable. The Community felt that its concerns were fully substantiated and that its arguments, contrary to its partners' allegations, had not given rise to misgivings but quite the reverse. The Community believed that adopting this report might bring about a number of problems, while taking note of it and of its conclusions would leave open a number of possibilities since this would not be prejudging the future. If that were borne in mind, continuing the present stand-off was beneficial neither for the system nor for the ongoing Uruguay Round negotiations. One possible solution would be to hold the matter in abeyance until the end of the Uruguay Round; one would then neither be taking a stand for adoption nor for taking note. The Community believed that the mechanical adoption of the report would have no effect of a practical, direct or operational nature on the economies of the parties concerned, or on their trade or economic policies. Adoption might, however, have an effect on the ongoing negotiations, or at least on the agricultural part thereof, in which the Community played an important rôle. The Community wanted to find a solution that would not prejudge negotiating positions in one way or another, either on the issue of dispute settlement or on other issues such as agriculture. It hoped, therefore, that no hasty decision would be taken in regard to this particular report.

The representative of the United States said that his delegation did not believe that adoption of panel reports was just a mechanical question. In doing so, contracting parties were discharging their responsibilities in resolving disputes. The Community's suggestion that the present matter be put in abeyance was merely an indication that it would continue to block adoption of the report until at least the end of the Uruguay Round. The United States was not prepared to wait until then, and if the report was not adopted at the present meeting, his delegation would request that the matter be included on the agenda of the next meeting.

The Council took note of the statements¹⁰ and agreed to revert to this matter at its next meeting.

¹⁰ Including Mexico's statement under agenda item 1.

5. Harmonized system - Requests for extension of waivers under Article XXV:5 (L/5470/Rev.1)
- (a) Bangladesh (C/W/630, L/6681)
 - (b) Brazil (C/W/629, L/6680)
 - (c) Indonesia (C/W/635, L/6685)
 - (d) Israel (C/W/628, L/6679)
 - (e) Malaysia (C/W/636, L/6686)
 - (f) Mexico (C/W/637, L/6687)
 - (g) Pakistan (C/W/633, L/6683)
 - (h) Philippines (C/W/632, L/6682)
 - (i) Sri Lanka (C/W/634, L/6684)

The Chairman drew attention to the communications from Bangladesh, Brazil, Indonesia, Israel, Malaysia, Mexico, Pakistan, Philippines and Sri Lanka, in which each had requested an extension of a waiver already granted in connection with its implementation of the Harmonized Commodity Description and Coding System.

The representative of the European Communities said that the Community had no difficulty in dealing with the nine requests as a single issue on the present occasion, provided this did not imply some kind of routine prolongation and automatic extension of such waivers. The Community understood that the issues involved were of a technical nature and that the countries requesting the waivers were also dependent on third countries with which negotiations had to be concluded; the Community also understood that the requests tended to come in batches towards the middle and the end of the year. However, it was incumbent on contracting parties to ensure that such extensions did not become a routine six-monthly matter. Account had to be taken of the need to complete the related negotiations as rapidly as possible in order to have a unified Harmonized System applicable to all at the earliest possible date.

The Chairman drew attention to the draft decisions in the documents: C/W/630 - Bangladesh, C/W/629 - Brazil, C/W/635 - Indonesia, C/W/628 - Israel, C/W/636 - Malaysia, C/W/637 - Mexico, C/W/633 - Pakistan, C/W/632 - Philippines and C/W/634 - Sri Lanka. He said that the documentation still to be submitted and any negotiations or consultations that might be required should follow the special procedures relating to the transposition of the current GATT concessions into the Harmonized System adopted by the Council on 12 July 1983 (L/5470/Rev.1).

The Council took note of the statements, approved the texts of the draft decisions referred to by the Chairman, and agreed that the decisions be submitted to votes by postal ballot.

6. Uruguay - Import surcharges
- Request for extension of waiver (C/W/639, L/6689 and Add.1)

The Chairman recalled that by their Decision of 24 October 1972, the CONTRACTING PARTIES had waived the application of the provisions of Article II to the extent necessary to allow Uruguay to maintain certain

import surcharges in excess of bound duties. The waiver had been extended a number of times, and was due to expire on 30 June 1990. He drew attention to Uruguay's request in document L/6689 for a further extension and to the draft decision contained in C/W/639. He added that he had been informed by the Secretariat that an addendum to document L/6689 had only been received late the previous day. As this was a rather voluminous document, it had not been possible to issue it in time for consideration at the present meeting. He understood that this Addendum was necessary in order to examine Uruguay's request and accordingly suggested that the Council defer consideration of this item to its next meeting.

The Council so agreed.

7. Zaire - Establishment of a new Schedule LXVIII
- Request for extension of waiver (C/W/638, L/6688)

The Chairman drew attention to Zaire's request in document L/6688 for an extension of the waiver granted to it at the Forty-fifth Session of the CONTRACTING PARTIES. He also drew attention to the draft decision in C/W/638, which had been circulated to facilitate consideration of this item.

The Council approved the text of the draft decision in C/W/638, and agreed that the decision be submitted to a vote by postal ballot.

8. Thailand - Rates of certain business and excise taxes
- Request for extension of time-limit (C/W/640, L/6690 and Add.1)

The Chairman recalled that the CONTRACTING PARTIES had decided on 24 June 1987 (BISD 34S/28) to extend the time-limit established in paragraph 3 of the Protocol of Accession of Thailand (BISD 29S/3) until 30 June 1990, in order to enable the Government of Thailand to take steps to bring the application of its differential rates of business and excise taxes into line with Article III of the General Agreement, and that, if by that date these taxes were still in effect with differential rates for imported goods, the matter would be reviewed by the CONTRACTING PARTIES. He drew attention to documents L/6689 and Add.1 in which Thailand had requested an extension of this time-limit, and also to the draft decision in document C/W/640 which had been circulated to facilitate consideration of this matter.

The representative of Thailand said that in an attempt to fulfil the objectives as set out in document L/6690/Add.1, his Government had taken major steps, during the past three years, towards adopting a value-added tax system to replace the current business-tax collection system. Given the complexity of the new system and the necessary modifications to the administrative regulations and procedures, Thailand was requesting another extension of the time-limit in its Protocol of Accession. Unfortunately,

it appeared that further consultations were needed before the Council could consider this request. Accordingly, he asked that the Council defer consideration thereof until its next meeting.

The Council took note of the statement and agreed to revert to this matter at its next meeting.

9. Accession of Costa Rica
- Time-limit for signature of Protocol of Accession (C/W/631, L/6626, L/6607, L/6693)

The Chairman recalled that on 20 November 1989, the CONTRACTING PARTIES had adopted a decision (L/6607) authorizing Costa Rica to accede to the General Agreement under the terms set out in its Protocol of Accession (L/6626). On 24 November 1989, Costa Rica had signed the Protocol subject to ratification. He drew attention to a communication from Costa Rica (C/W/631) requesting that the time-limit in paragraph 7 of the Protocol be changed to 30 September 1990, and proposed that the draft decision annexed thereto be adopted.

The Council so agreed (L/6693).

10. Application of Article XXXV
- Request by the United States for discussion of interpretation of the Article

The Chairman recalled that this matter had been raised by the United States under "Other Business" at the Council meetings in April and May, and said that it was on the Agenda of the present meeting at that delegation's request. He informed the Council that, also at the United States' request, an informal consultation on this matter had been held on his behalf on 8 June.

The representative of the United States said that while not definitive, the informal consultation had clearly demonstrated that there was no fundamental disagreement with the prevailing interpretation of Article XXXV, which clearly denied a contracting party the right to invoke non-application of the General Agreement to an applicant at the time of its accession if tariff negotiations had been initiated between them in the course of the accession negotiations. As the United States had noted before, it was no longer comfortable with this limitation on the exercise of a contracting party's rights under Article XXXV, because it believed that a contracting party should be able to request concessions of an acceding country, conduct bilateral discussions with that country, and if no acceptable bilateral agreement were reached, be able to invoke non-application at the time the acceding country became a contracting party. He said that further informal consultations were needed in order for his authorities to reach some conclusions on how best to proceed. If those indicated that it would be appropriate to revert to this matter in the Council, the United States would then request that it be placed on the agenda at a future meeting.

The representative of Canada said that his delegation did not necessarily share the view of the legal situation as described by the US representative.

The representative of Tanzania said that it might be useful, at an appropriate time, to have the Secretariat's legal counsel on the matter.

The representative of Brazil said that his delegation wished to place on record that it considered the present wording of Article XXXV to be quite clear. The US suggestion seemed to go beyond the normal interpretation thereof, and its legal consequences had to be studied further. As that suggestion apparently implied a re-wording of the Article, his delegation wondered whether the Uruguay Round Negotiating Group on GATT Articles was not the right forum for its discussion.

The representative of the United States said that in order to dispel any possible misinterpretation of his statement, his delegation wished to be on record as saying that Article XXXV could not currently be invoked in circumstances where a contracting party had initiated tariff negotiations with an acceding country.

The representative of India said that his delegation believed the current interpretation of Article XXXV to be correct, but that if the United States sought changes to the Article or in the interpretation thereof, his delegation looked forward to receiving a detailed reasoning for this as a basis for reflection and comment.

The representative of the European Communities considered that the United States had raised a genuine problem. The issue at hand, however, was whether the present meeting was the right time and place to deal with it. Like the United States, the Community favoured the continuation of informal consultations in order to determine how best the matter might be tackled.

The representative of Morocco said that Article XXXV was very clear. It provided for two cumulative conditions for its invocation, namely that an acceding country should not have initiated tariff negotiations with a contracting party and that the contracting party invoked Article XXXV at the time of the former's accession. GATT jurisprudence indicated that it was sufficient that negotiating lists be exchanged for tariff negotiations to have been initiated. The Article did not deal with the results of such negotiations.

The Council took note of the statements.

11. Mexico/United States Free-Trade Agreement

The representative of Mexico, speaking under "Other Business", said that Mexico and the United States wished to inform contracting parties about the results of a recent meeting held by the Presidents of the two countries at which they had taken important decisions concerning their

countries' future trade relations. They had determined that a broad free-trade agreement was the best vehicle for attaining the goals they had set, and had instructed their ministers to carry out the consultations and preparatory work required in order to begin the corresponding negotiations in conformity with each country's internal procedures. They had also reaffirmed their commitment to the multilateral trading system and to GATT, and had agreed that a successful conclusion of the Uruguay Round in December was their highest priority.

The representative of the United States confirmed that during their meeting in Washington on 10 June, the two Presidents had held discussions on bilateral relations, with the particular purpose of broadening and strengthening economic relations between the two countries. The two Presidents were convinced that a comprehensive free-trade agreement between the two countries would be a powerful engine for economic development, creating new jobs and opening new markets, and had directed their trade ministers to undertake the consultations and preparatory work needed to initiate such negotiations, in accordance with each country's internal procedures, and to report back as soon as practicable, and in any event before their next meeting in December. They had also made clear that the greatest possible mutual benefit would derive from an agreement that entailed the gradual and comprehensive elimination of trade barriers including the full, phased elimination of tariffs; the elimination or fullest possible reduction of non-tariff barriers to trade, such as import quotas, licenses and technical barriers; the establishment of clear, binding protection for intellectual property rights; fair and expeditious dispute settlement procedures; and means to improve and expand the flow of goods, services, and investment between the two countries. Finally, they had reaffirmed their commitment to the multilateral trading system and to the General Agreement, and had agreed that a successful conclusion of the Uruguay Round by December was their highest priority. He said that the United States would keep the Council informed of further developments concerning this important initiative.

The Council took note of the statements.