

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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17 March 1992

MINUTES OF MEETING

Held in the Centre William Rappard on 17 March 1992

Chairman : Mr. B.K. Zutshi (India)

Overview of Developments in International Trade and the Trading System

1. Pursuant to the Decision taken by the CONTRACTING PARTIES on 12 April 1989 (BISD 36S/403), the Council held a special meeting on 17 March 1992 to conduct an overview of developments in international trade and the trading system. The discussion was assisted by the Annual Report of the Director General (C/RM/OV/3)¹, reviewing broad trends in the world economy, setting out major GATT activities and significant policy issues of concern to the multilateral trading system.

2. Introducing the discussion, the Chairman noted that the CONTRACTING PARTIES had agreed to postpone the 1991 overview meeting at their Forty-Seventh Session in December 1991, because of the pressure of work related to the Uruguay Round. This was the second consecutive year in which the overview had been postponed for this reason. He recalled that the purpose of the meeting was to cover broad developments in the multilateral trading system, including those that were an early warning of possible future trends. As such, it complemented the reviews of national trade policies conducted regularly under the Trade Policy Review Mechanism. He invited the delegations wishing to draw attention to changes on significant points of information in the Director General's Report to inform the Secretariat in writing after the meeting. Delegations were invited to comment not only on the issues contained in the Report but also to address other issues which they believed were of significant concern to contracting parties.

3. The Director-General wanted, in his opening remarks, to supplement the Report by sharing some of his views on trends in the world economy and their implications for the trading system. He noted two main features of current analyses of the world's political and economic scene: first, the dramatic and rapid changes in the direction of political democracy and economic liberalization; second, the inherent unpredictability of the transition phase. It was important to understand these changes and reduce the negative effects of uncertainty by agreeing, as soon as possible, on an updated and reinforced framework for political and economic relations.

4. He noted that traditional analyses of international relations had relied on categorizations -- North and South, East and West -- the

¹A revision was issued as C/RM/OV/3/Rev.1.

usefulness of which was at an end. While the highly developed countries continued to dominate the ranks of leading traders, there were several cases where recent trade performances had not matched those of new traders, a trend which was likely to continue in the future. The share of these countries in world trade and output -- nearly 75 per cent of the total -- meant that their markets would continue to be a major pole of attraction for the rest of the world, and their recent slower economic growth was therefore worrying. In contrast, a number of countries in Asia, Latin America and Africa, drawn from the traditional group of developing economies, were creating new centres of growth in production and expanding trade. For example, increases in ranking and in shares of world trade had been experienced by Chile, Ghana, Hong Kong, Indonesia, Korea, Malaysia, Mauritania, Mexico, Morocco, Singapore, Thailand, Taiwan and Turkey. These countries were therefore among those with the greatest interest in a strong multilateral trading system. Other countries such as those in Central and Eastern Europe, the states of the Commonwealth of Independent States (CIS), China and a number of countries in Latin America, Asia and Africa had made decisive moves to market-oriented economic policies. Accounting for nearly one-half of the world's population but only about 8 per cent of world trade, these countries depended heavily on closer integration into world markets, and were therefore also among the strongest supporters of the multilateral trading system. They posed the greatest opportunity but also the greatest challenge to the multilateral trading system. More than 20 potential contracting parties were waiting in the wings, a list to which the Baltic republics and countries of the CIS were expected to be added. Finally, he also recalled that countries with very low per capita incomes continued to have a special need for official development assistance and technical cooperation programs to supplement their market-oriented reforms. Their future development would almost certainly depend on a diversified and expanded participation in world markets, especially for those with small domestic markets.

5. This attempt at identifying concretely the trends in the world economy was only meant to contribute to the debate. However, if analysts around the world were trying to identify these changes, it was in order to have a clearer idea of the preparations needed to adjust to them. As Head of the GATT Secretariat, he too had to plan for the future. In many cases, this involved major policy planning issues such as adapting the Secretariat's economic and trade analysis to the new realities, coping with the dramatically increased demand for technical cooperation, including training, servicing accession negotiations, but also more prosaic matters relating to the physical limitations of the present facilities. If, under such circumstances, planning was difficult for the Secretariat, it was even more so for producers, investors, exporters, importers and consumers, around the world.

6. By delaying the answer to the fundamental question relating to the shape and content of the future multilateral trading system, governments were creating major new difficulties for the international economic environment because of the pivotal role that an open, liberal and credible trading system played in promoting growth and development. The perceived

inability of governments to control and orient policies in the right direction was among the psychological factors adversely affecting the world economy today. With prospects for world recovery modest, a significant boost was urgently needed. The elements for a successful conclusion to the Round in the weeks ahead were now at hand, but whether this opportunity was grasped was a decision that the governments participating in the Round would be required to take collectively very soon.

7. In the Council's subsequent discussion, the Director General's report was generally welcomed as a useful and thought-provoking document, providing valuable insights into the current macroeconomic environment, and highlighting issues of significant concern to the multilateral trading system.

8. The representative of the European Communities said that he supported virtually all the conclusions of the Director-General. Commenting on the Report, he noted that the ranking of the leading traders would change in 1993, when trade between members of the Community would cease to be recorded and the Community would appear as a single trading partner. Recalling the United States' Caribbean Basin Initiative and Andean Trade Preference Act, he said that a discussion of regional trade initiatives would be served by making a reference to the use made of the waiver provision of Article XXV:5. He supported the Secretariat's view that such initiatives should respect the orthodox practice in this area, in particular the provisions of Article XXIV, and recalled that the founding members to the GATT considered that regional trade initiatives contributed to the liberalization of trade. He noted the reference made in the Report to a certain group of Asian economies whose above average export and import growth had made their trade performance the most dynamic element in world trade in 1991. The Community had treated three countries within this group -- Hong Kong, Korea and Singapore -- with a particular respect during the Uruguay Round by asking them to become full partners in the multilateral trading system. It was also to be hoped that the important role of Taiwan in dynamic trade growth would not be overlooked when this issue was considered, sooner or later, in the GATT.

9. In describing the background to the debate, he noted the transition from a bi-polar to a multi-polar international order, and the important role of developing countries, in particular India and Brazil, in a successful transition. The current slowdown in the world economy was of concern, but recovery was expected in 1992 and 1993. Given the adjustments taking place in the world economy, it was important that the recovery be non-inflationary. Of general concern was the global shortage of savings, of which one cause was fiscal deficits. The United States and, to a lesser extent, Europe, had become net importers of capital, while Japan remained a net supplier of savings. The shortage of savings was evident from the currently high long-term real interest rates in a period of slowdown in investment, and it would be exacerbated as investment recovered and as the flow of capital increased to countries in Central and Eastern Europe. It was therefore urgent to remove the structural barriers to increased savings.

10. Turning to the topic of competition, he noted the trend to the increasing globalization of world markets. Competition was no longer just between firms through prices, but was between two entirely different economic and social systems: in Asia and the Pacific, the economy was based on work, savings and investment, while in America and Western Europe, it was based on public and private consumption and leisure. Figures indicated 1500 hours of work per year in Europe and the United States compared to 2000 hours in Asia and the Pacific.

11. As a second point, he stressed the substantial evolution of the Community in the past few years. Member states were on the verge of realizing the single market set for 1993, and the Treaty of Maastricht had laid the foundations of European economic, monetary and political union. These developments, together with the progressive implementation of foreign policy and common security and the creation of a common economic space in Europe, had led to new international responsibilities for the Community, but also to new expectations of the Community on the part of traditional trading partners and new aspirants. However, as the President of the European Commission, Mr. Delors, had said, "Adapting ourselves is a necessity, dispersing ourselves would be an error", and the Community could not undertake to resolve all problems. The emergence of democracies in Central and Eastern Europe and new states in Europe required the Community to contribute to the political, military and economic security and stability of Europe, together with other governments, the IMF, the World Bank and the EBRD. Regarding the countries on the southern coast of the Mediterranean with which the Community had historic links, rapid population growth and high unemployment were leading to latent political instability. Support for these countries in their political and economic reform programs and support for the ACP countries were central pillars of the Community's external policy.

12. The new responsibilities of the Community required a strong and competitive European economy. However, the industrial advantage of Europe had been weakened by insufficient investment in technologies of the future. In 1991, the resources devoted to research in all member states, expressed as a share of GNP, amounted to the level of Japan ten years earlier. At the same time, protection of the environment was an essential element in the sustainable development of Europe. A report of the European Commission to the Council of Ministers had stated the importance of discipline in the use of subsidies, which adversely affected conditions of domestic and international competition. The report had also stressed that a rapid conclusion to the Uruguay Round would not only increase market access and reduce protectionism in the traditional areas of trade negotiations, but would also extend multilateral rules to new areas of great importance to the Community, namely, services, intellectual property protection, and investment. The report had noted further that these developments were expected to lead to a significant reduction in agricultural subsidies. The report went on to state that increased market access for the products in which countries in Central and Eastern Europe had a comparative advantage -- agricultural products, textiles, coal and steel -- should not be

accomplished at the expense of traditional trade partners, and in particular, developing countries. He concluded that only a strong European economy, competitive and open, would be able to fully assist the development of Central and Eastern Europe and developing countries.

13. Concerning the Uruguay Round, he noted that, at the present stage, pleas for a rapid conclusion of the Round were superfluous. It was evident that a rapid success of the Round would reinforce the multilateral trading system, especially at this critical juncture for the newly emerged democracies in Europe, and the developing countries which had taken the risk of engaging in market-oriented reforms. It would also forestall an avalanche of commercial disputes that would inevitably follow the delay or failure of the Round. For its part, the Community was fully aware of the stakes, challenges, and all the possible consequences of the options - failure, delay, or success. History would not forgive a mistake so profound in its consequences; it was important to remain calm and have faith in common sense. With respect to the time it would take to reach an agreement, it was important that the agreed date of implementation was respected. He concluded by noting that the Community could not succeed in its own projects and retain its credibility with respect to the other countries unless it kept its promises; the Community could not afford to turn its back on the challenges presented by a world caught in increasingly rapid change.

14. The representative of Romania pointed out that the dramatic decline in the trade performances of Central and East European countries in 1991 noted in the Report was due not only to the restructuring process but also to difficult international trading conditions. The decline in trade was adversely affecting the reform process, and was preventing a greater integration in the world economy, and it was necessary to fully explore the causes for this development. He supported the Report's conclusion that the recent changes in the trade regimes of Central and East European countries were leading to a greater integration with the rules of the multilateral trading system. He regretted, however, that the Report had paid insufficient attention to the important changes that had taken place in Romania recently, and that had been notified to contracting parties (L/6838 and Add.1). In addition to the reforms of the domestic economy and trade policy regime, he made reference to the waiver granted by the CONTRACTING PARTIES in December 1991 (L/6967) to facilitate the introduction of a customs tariff based on the Harmonized System, and the establishment of a Working Party in February 1992 to examine Romania's request for a renegotiation of the terms of its Protocol of Accession (L/6994).

15. The representative of the United States said that the Report indicated the presence of substantial adversity in the GATT system in the form of unresolved problems, which had led to a certain apprehension in his Government regarding the future. Good luck, foresight and vision were needed to secure in the coming weeks a favourable result in the Uruguay Round to ensure that the system of rules could be preserved and strengthened. The continuing trend towards the globalization of world markets noted in the Report should convince observers of this need. He had

observed in his own country a greater reliance on domestic trade remedies relative to international rules, which made it imperative to take positive steps to ensure the future of the system. He supported the Community's statement that appeals to conclude the Round were superfluous, and it could be assumed that all were in agreement on the necessity of concluding the Round.

16. One general conclusion that could be drawn from the Report was the juxtaposition of the increasing evidence of a global economic system with the increasing evidence of the inability to secure a firm foundation for the growth of the system. This was of particular concern in view of the uncertain state of many governments and the countries waiting in the wings to which the Director General had made reference in his remarks. Very real difficulties would be faced in the years to come unless a secure foundation for the future for current and future members was found. Regarding the discussions that had recently taken place between various participants to find an acceptable basis for moving forward in the Uruguay Round, he could not offer illusory hopes that they would succeed, but was persuaded that his Government was aware of the risks and dangers of failure.

17. The representative of India supported the Report's conclusion that the increasing interest in accession to GATT, and the more frequent resort to dispute settlement procedures under the GATT and the Tokyo Round Agreements, represented a greater confidence in the multilateral trading system. However, the larger number of disputes also pointed to greater friction and to a varying interpretation of the existing multilateral rules, especially in the areas of anti-dumping and countervailing measures. This reflected the need for fair and balanced results on these issues, among others, in the Uruguay Round. Furthermore, the credibility of the multilateral trading system was being adversely affected by the link made between implementation of adopted panel reports under the General Agreement and results of the Uruguay Round. He agreed that the trade policy reviews had helped in increasing the transparency of the trade policies and practices of contracting parties subjected to such reviews.

18. He observed that 51 of the 63 countries having undertaken autonomous liberalization since 1986 were developing countries (including those having disinvoked Article XVIII:B) or former centrally planned economies, and that the number of developed countries having engaged in trade liberalization in 1991 was very small. Because the success of economic liberalization programs depended to a significant extent on increased market access for those products in which the developing countries enjoyed a comparative advantage, it was imperative that developed countries take appropriate liberalization measures to enhance the confidence of countries which had undertaken these liberalization programs. He questioned whether the termination of Article XIX actions or voluntary restraint arrangements should qualify as autonomous trade liberalization measures, as was done in the Report.

19. While understanding the difficulty of compiling a comprehensive list of grey area measures inconsistent with GATT provisions, he pointed out

that such a listing was an essential input in understanding developments in the international trading system. The increasing resort to such measures posed a serious threat to the credibility of the multilateral trading system and to the confidence that small traders and developing countries had placed in the GATT.

20. Unilateralism was also a serious problem, unfortunately heavily underplayed in the report, and India did not subscribe to the view that unilateral measures in certain areas were justified by the inadequacy of the scope of the GATT, particularly when negotiations on these issues were underway in the Uruguay Round. Unilateralism as an instrument of international trade policy had been rejected by the international community as running counter to the spirit of multilateralism.

21. He shared the concern that the recent spate of regional trade arrangements would reduce the share of trade conducted on an m.f.n. basis. None of the 50 Working Parties established to examine such arrangements had arrived at a definitive conclusion on the compatibility of such arrangements with the GATT, and it was regrettable that a significant strengthening and clarification of Article XXIV had not been achieved to date in the Uruguay Round. Implementation of the November 1971 decision of the CONTRACTING PARTIES (BISD 18S/38) which instructed the Council to establish a calendar for the examination of reports of developments in regional trading arrangements every two years, would enhance transparency and provide a better understanding of such arrangements.

22. The representative of Brazil noted the increasing importance of trade for developing contracting parties as their trade policies were shifted towards more open domestic markets. The eventual success of reforms undertaken by developing as well as by former socialist countries remained, however, subject to risks and uncertainties. An early and successful conclusion of the Uruguay Round was fundamental to allay fears of a collapse of the multilateral trading system or of an erosion of credibility that would arise from a protracted negotiating process. Sustaining the reforms required increased market access in developed country markets, and it was regrettable that the negotiations to date had not yielded results in this area.

23. The Report indicated that the rate of growth of imports of Latin America and developing countries in Asia had exceeded the rate of growth of their exports. Developing countries' exports, basically of commodities and less sophisticated manufactures, had either continued to be subject to an array of protective measures in the industrialized world, or had been the main casualties of recession. Another worrying trend was the perseverance of grey area measures, and contracting parties should abide by their notification obligations, so that a review of the consistency of bilateral arrangements with the General Agreement could be undertaken.

24. He stated that topics meriting further discussion were the deterioration in terms of trade, the effects of macroeconomic measures on trade policies, including those related to external debt or fiscal

deficits, and the integration of Central and East European countries in the GATT. A topic that had not been considered in the Report, but which merited discussion in future overview meetings, were the restrictions and conditions applied in connection with exports of high-technology goods.

25. The representative of Hong Kong said that the Report's statistics supported the view that dynamic exporters tended to be dynamic importers. He also welcomed the attention given by the Community to the outstanding trade performances of Hong Kong, Korea and Singapore in 1991, but was unclear about the meaning of the Community's offer of "full partnership". Hong Kong's full support for the multilateral trading system was clear from its adherence to the principle of non-discrimination, as could be seen from its position on the safeguards issue in the Uruguay Round negotiations.

26. He stated that a commitment to a successful Uruguay Round must, in the meantime, be matched by a commitment to support the present GATT, and he hoped progress could be achieved on the issue of delays in implementing adopted panel reports under the General Agreement by the time of the 1992 overview exercise. He noted that this issue, and those of the persistence of grey area measures and unilateralism, were undermining the credibility of the multilateral trading system.

27. Beyond the Uruguay Round, contracting parties faced major tasks. In one important task, the reviews of national trade policies, a country's performance should not be measured against that of other countries or territories. After the first review, topics considered in subsequent reviews could include the progress in a country's trade policy relative to the concerns expressed at the preceding one, and its consistency with the rules of the contracting parties. Another task was trade and the environment, and the representative called upon the GATT to ensure that trade restrictive measures not be used against imports of a trading partner, simply because it had a different environmental policy.

28. The representative of Finland, speaking on behalf of the Nordic countries, pointed out that world output and trade was in its third year of declining growth. It was to be hoped that the estimates of a modest recovery would prove correct, but many uncertainties remained. He noted the increasing role of Asian economies in the ranks of the leading traders, reflecting the region's more vigorous growth as compared to Western Europe or North America. He welcomed closer relations between GATT and the nations of Central and Eastern Europe and the former USSR, which would be of great importance for their integration into the world economy.

29. The Report documented an increasing number of disputes, which could be interpreted in different ways and even give rise to concern. Delays in implementing adopted GATT panel reports, and the frequent blocking of adoption by the party losing the case in dispute settlement under the Tokyo Round agreements, were particular concerns. The Nordic countries considered that clear rules and disciplines were essential for the functioning of the multilateral trading system. Its credibility depended on the same law and practice for all, and he noted that the delays in

implementation of panel reports under the General Agreement was a prerogative of the major trading nations only.

30. He recalled that the Nordic countries had, together with the other EFTA countries, initiated the convening of the 1971 Group on Environmental Measures and International Trade. It was hoped that work would continue in this vital area and would bring more clarity to the very complex issue of the interrelationship between trade and environment.

31. He noted that the trade ministers of the Nordic countries had recently stated that a rapid conclusion of the Uruguay Round was important in order to give a positive impulse to world trade and hence increase the dynamism of the world economy. It was expected that some of the problems noted in the Report in respect of trade restrictive or distortive measures inconsistent with the multilateral rules, would find their solution with the implementation of the results of the Uruguay Round.

32. The representative of Switzerland expressed concern with the bruises sustained by the multilateral trading system during the period of slow growth, the degradation of the environment and of political stability and the development outlook, and the difficulty of securing a healthy economic environment in Central and Eastern Europe. Action was urgent, but constraining economic realities had led some contracting parties to protectionism, unilateralism and bilateralism. Not only were these of no assistance in overcoming negative factors, but smaller nations were usually the victims. He joined India and Hong Kong in regretting the absence of information on grey area measures in the Report.

33. A strong and credible multilateral framework of rules and disciplines in trade was a key element for the world economy, and also a central element of the Uruguay Round. Only in this context could the developing countries and those of Central and Eastern Europe build economies based on competition and market forces and create a solid foundation for democracy and political stability. Only in this context could sufficient wealth be created to take environmental measures to protect the globe, and a certain balance created between large and small traders. The increasing recourse to dispute settlement procedures was to be welcomed, but he was concerned by the delays in implementing adopted panel reports under the General Agreement.

34. He noted the strong trend towards regionalism, and stated that free trade arrangements would promote the integration of the former members of the CMEA into the multilateral trading system and create better conditions for the protection of the environment. An ever growing part of world trade would fall under regional trading arrangements in the future, and the contracting parties should prevent the construction of trade fortresses. He joined India in supporting the implementation of the November 1971 decision of the CONTRACTING PARTIES, but suggested that the Secretariat elaborate a Report on such arrangements.

35. Concerning trade and the environment, he said that the recent discussions in the GATT had been positive, but hoped that debates in the near future would focus on fundamental issues. Because many environmental processes were irreversible and degradation was permanent, it was important to deal with the matter in a determined manner.

36. His delegation fully shared the Report's message that an urgent conclusion of the Uruguay Round was necessary. The challenge was the creation of a multilateral trading system that was a guarantee against protectionism and could contain unilateralism, bilateralism and regionalism, as well as ensure the coherence of trade in goods, services, intellectual property and investments. A coherence between the relevant international organizations, as well as those that might emerge from UNCED, was also important.

37. The representative of Australia questioned the Report's assessment that the reviews of national trade policies under the TPRM had led to an intensive, high level and focused discussion in the Council, and he hoped that a restructuring of the debates would achieve that goal.

38. He recalled that in presenting the report at the November 1991 Council meeting of the Working Party established to examine the Canada-United States Free Trade Agreement, its Chairman had noted that examinations of such arrangements were missing the opportunity and the responsibility of distinguishing between the good and the bad. No definitive conclusions had been reached in the Working Parties established to this end, which could reflect a lack of preparation on the part of their members or the absence of a yardstick against which to make judgements. Because regional trade arrangements were on the increase, it was urgent to establish how best these reviews could be conducted. His government was, however, of the opinion that regional and bilateral agreements could co-exist with the multilateral system provided they were in accordance with its rules.

39. He noted that governments had undertaken autonomous trade liberalization measures as a result of self-interest and certain assumptions about the future of the world trading system, and it was to be hoped that their expectations would not be let down. Insufficient attention had been paid in the Report to the fact that autonomous trade liberalization had often been part of a much wider overall deregulation of the economy. Recognizing the link between services and international competitiveness in the goods area, certain governments, such as his own, had liberalized the services sector.

40. He was concerned about the persistence of managed trade. A successful Uruguay Round would not only remove one source of uncertainty affecting the world economic recovery, but would also set in place a number of new disciplines which were needed, and which would help address several of the trade policy problems that had been noted at the individual country level. What was required at this point was courage, vision and a sense of responsibility on the part of the major participants to conclude the Round.

41. The representative of Korea said that, in light of the difficulties being experienced in concluding the Uruguay Round, the commitment of contracting parties to the objectives set forth in the preamble to the GATT was now being put to the test. Expanded trade was essential to meet those objectives, and he noted that the volume growth of world trade had slowed for the third consecutive year, while an end to the Round was not yet in sight. One source of optimism was the robust export growth of the United States and Asia, but these results were more than offset by disappointing export results for the highly indebted countries and those in Central and Eastern Europe. Another sign of optimism was the increasing interest of non-members in observer status and eventual accession, especially on the part of members of the former socialist bloc. Supporting the integration of these countries would help their continued economic development and transformation into fully-fledged market economies.

41. The difficulty of effectively implementing GATT disciplines was evident from the delays in implementing adopted panel reports, and it was alarming that the major trading nations were often implicated under the General Agreement. The doubling of anti-dumping investigations was also a concern, and indicated the need to strengthen multilateral rules in this area, an objective which would be served by the implementation of the anti-dumping provisions in the Draft Final Act of the Uruguay Round (MTN.TNC/W/FA). The rapid growth of regional trade arrangements also had negative implications, and he supported India and Switzerland in calling for the implementation of the November 1971 decision of the CONTRACTING PARTIES.

43. The proliferation of trade restrictive or distortive measures inconsistent with multilateral rules represented a subtle, but pernicious threat to the multilateral trading system, and he supported the four-year phase-out of such measures provided for in the Draft Final Act. He joined India and Switzerland in regretting the absence of information on grey area measures in the Report. Another challenge to the GATT came from the need to reconcile trade and environmental concerns and to avoid unilateralism under the pretext of environmental issues.

44. It was noteworthy that it was the developing countries and formerly centrally planned economies, but not the developed countries, that had led the way in announcing autonomous trade liberalization measures. Referring to the Community's statement regarding Korea, Hong Kong and Singapore, he stated that Korea had undertaken autonomous trade liberalization measures, and remained committed to trade liberalization in spite of a growing trade deficit.

45. The representative of Chile noted the difference between the efforts at trade liberalization in developing countries and those of developed countries. Since the launching of the Uruguay Round, autonomous trade liberalization measures undertaken by the eight major developed country traders were described in the Report in 68 lines - about 8 lines per country - and measures taken by Latin American countries were described in 114 lines - 16 per country. In the latter group, the average tariff had

been reduced and various other measures had been taken, while in the former group, the United States had only 7 lines of trade liberalizing measures and the only liberalizing actions taken in 1991 by the Community were those taken on a unilateral basis with respect to three countries in Eastern Europe.

46. He warned that the liberalization measures taken in Latin America had been costly and unpopular, and had not been fully consolidated politically. Without support for these reform efforts at the multilateral level, and an economic recovery, the measures risked becoming victims of opposition. The developed countries needed to exercise leadership and take initiatives so that the appendix table in the next Report would be a balanced one. Trade negotiations should not be an excuse for many countries to continue doing nothing to further the cause of freer trade.

47. The representative of Argentina noted that the data for 1991 indicated the third consecutive year of slower world trade and output growth. Emerging dynamic traders depended on the multilateral trading system to sustain their development, and a successful conclusion of the Uruguay Round was therefore essential.

48. The recently conducted trade policy review of Argentina (C/RM/M/18) had indicated that its liberalization program would lose much of its effect without increased market access. Protectionist policies in agriculture by major traders between 1970 and 1989 had cost Argentina lost exports equivalent to virtually all its foreign debt. Like Argentina, smaller countries needed the support of trading partners to ensure that their programs of economic reform permanently strengthened their economies.

49. Among the problems facing the multilateral trading system, the delays in implementing adopted panel reports under the General Agreement was a particular concern because effective dispute settlement was a vital element in trading relations. The increased recourse to anti-dumping measures, with their well-known adverse effects on trade, was also a concern. With respect to the monitoring of regional arrangements, criteria should be developed to allow future working parties to decide on the consistency of these arrangements with the General Agreement. An essential task for the future was ensuring that integration arrangements be trade-creating.

50. The representative of Singapore, referring to the Community's statement regarding Singapore, Hong Kong and Korea, stated that his country held the Community in high esteem. However, the GATT was not the forum, and the Uruguay Round negotiations not the occasion, in which to engage in bilateral or plurilateral discussions concerning the contributions to be made by Hong Kong, Korea, and Singapore to the multilateral trading system in the light of the progress they had achieved. For its part, his Government was fully conscious of its role in the GATT and of the contribution it had to make to achieve a successful outcome to the Round.

51. The representative of Hungary said that the wide-ranging activities carried out by the GATT during the period under review were proof of its

important role in trade matters. It remained to be seen how the multilateral trading system would cope with the new challenges and the changing needs of the international trading community.

52. The shift to democracy in Central and East European countries was among the fundamental changes that had taken place since the launching of the Uruguay Round. It had been accompanied by radical economic changes requiring considerable sacrifices and resulting in social tensions. Although economic reforms and autonomous trade liberalizing measures had made an important contribution to change, they were not a guarantee of final success. The successful completion of the economic transformation required a multilateral framework of predictable rules with sufficient flexibility for countries in transition in adhering to the rules and, above all, increased market access for competitive products -- even for those considered to be sensitive by importers. In order to complete the integration of Hungary into the world economy, his Government was committed to the goal of integration into the multilateral trading system as a well-established market economy. He noted that the Uruguay Round negotiations had reached a critical stage and, in spite of the collective responsibility of all participants to make the decisions needed for a breakthrough, it was up to the major industrial participants to exercise leadership in reaching the long-awaited results.

53. The representative of Cuba said that the world economy had begun 1991 under the impact of the Gulf War and had ended the year under the impact of recession, particularly in the United States. Developing countries had been affected by a persistent socio-economic crisis, and output had declined in East European economies. The external debt of developing countries remained a serious problem, and it had been further aggravated in 1991 by the deterioration in their terms of trade. He shared the sense of urgency expressed by others for a rapid conclusion of the Uruguay Round.

54. The representative of Japan stated his concern that the decline in the growth of world trade in 1991 would persist in view of the sluggish economic growth in a number of countries. He welcomed the fact that trade had continued to expand faster than output, and the remarkable trade growth in Asia during 1991. As the Report had noted, a growing number of countries in Asia were integrating their economies into the world economy, and were taking a more direct role in shaping the multilateral trading system. He welcomed this development and expressed his hope that the system would be responsive.

55. Welcoming the three new members of GATT in 1991, he said that the function and usefulness of an open and multilateral trading system had been endorsed by new accessions and by the increasing number of countries seeking membership. At the same time as global integration was proceeding, however, there had been a significant increase in the number of regional trade initiatives. Concerning the relationship between globalism and regionalism, one question was whether growth and welfare were better promoted through a global integration process. Another question was the manner and extent to which such initiatives contributed to the betterment

of the global economy. Regional trade arrangements should not detract from the multilateralism of GATT, and it was essential that they be fully compatible with GATT rules and principles, and contribute to the development of world trade.

56. The GATT had taken a significant step by engaging itself in the examination of trade and the environment, and his country considered it essential to seek a balance between trade and environmental concerns, to which end the work of the GATT would make a useful contribution. The increased recourse to dispute settlement in the multilateral system reflected the confidence being placed on that system. It also reflected, however, that the rules in, for example, anti-dumping, were open to interpretation and that further work was needed to arrive at clear and objective rules. Unilateralism continued to be an important issue of concern to the trading system, because it was inconsistent with the spirit of the GATT and damaged the fabric of international relations. A successful conclusion to the Uruguay Round was urgently required, and Japan was fully committed to this goal.

57. The representative of Tanzania said that instability in the international monetary system was having an impact on the trade of least developed countries. Tackling this instability could improve trade performances, both through better terms of trade and the debt performances. The special conditions and problems of the least developed contracting parties should be taken into account in the Uruguay Round by ensuring that they not be required to make initial or additional commitments.

58. The representative of Costa Rica said that the global shortage of savings was due to the virtual elimination of savings in developed countries, which had led to a shortage of investment funds for other countries. His country, in particular, was running a current account deficit. Costa Rica had been able to drastically reduce the level of its external debt and at the same time had acted to protect its environment and to encourage ecological tourism.

59. Data in the Report indicated that the value of imports into Latin America had risen while exports had declined, a development which he linked to the trade liberalizing and market-opening measures that these countries had undertaken. In this context, a successful conclusion to the Uruguay Round was urgently needed, and would benefit world trade.

60. The representative of Malaysia noted the growing interdependence between economies as world trade growth had outpaced that of world output. Contradictory trends could be discerned in the trading environment. Bilateralism, protectionism and regionalism were on the rise, at the same time as strenuous efforts were underway to achieve more extensive multilateral trade liberalization. While many developing countries had undertaken far-reaching reforms to promote competition and efficiency, protectionist pressures and unilateral policy actions -- particularly in the industrialized countries -- continued to endanger the multilateral trading system. While developing countries had followed the

recommendations of major trading partners by adopting liberal economic policies, the latter had opted for trading blocs and managed trade.

61. Against this background of increasing protectionist sentiment, his Government was especially concerned that the intensification of integration processes would inevitably result in trade diversion and increase the potential for trade disputes. Trade tensions in recent years had provoked a greater reliance on unilateral and/or bilateral approaches, which represented a major challenge and threat to the multilateral trading system. It was therefore imperative that action be taken to stop the drift to protectionism, and the successful conclusion of the Uruguay Round was therefore of decisive importance. Malaysia urged all contracting parties, and particularly the major players, to formally conclude the Round and to exercise greater political will to accept its results.

62. Summing up the debate, the Director-General said that this overview and the two preceding ones had made it clear that the exercise remained a challenge for those involved in the preparation of the Report. Delegations had tended to make two types of comments on the Report: first, factual details with regard to the trade policies and measures taken by their governments; and second, issues of general concern. In the first category, Romania had quite rightly filled in important details regarding the recent evolution of its government's trade policies. Other delegations had also proposed factual changes or additions to the Secretariat. These would, of course, be taken into account in revising the Report.

63. Regarding the second category, he regretted that the debate focused rather too much on specific details and not enough on the questions confronting the multilateral trading system. Certain delegations had spotted some of the weak points in the Secretariat's analysis, in particular, the difficulties presented in the task of carrying out extensive research on grey area measures. If contracting parties wanted the Secretariat to continue its detailed enumeration of such measures, the simplest solution would be for governments to notify them, or for concerned delegations to bring them to the attention of the Secretariat. The Secretariat's task was further complicated by the fact that it was only the CONTRACTING PARTIES who were authorized to pass judgement on the consistency of such measures with the provisions of the General Agreement. Another issue of general concern, to which he had alluded in his opening remarks, concerned the problem of grouping countries along traditional lines. In the present annual report, the Secretariat had attempted a new approach and it was unfortunate that delegations had not discussed this adequately during the debate.

64. In conclusion, he expressed concern that the overview exercise ran the risk of becoming a mechanical routine. In his view, there was great scope for a collective and in-depth examination by the custodians of the multilateral trading system of the possible causes behind issues raised in the Report, such as the existence of grey area measures, unilateralism, the disappointing record of implementation of adopted panel reports under the General Agreement, and sluggish trade growth. He would give thought to

ways in which the next Annual Report could be improved to facilitate a more structured debate in the Council. Finally, he hoped that in his next report it would no longer be necessary to refer to the importance of concluding the Round, since it was clearly the intention of all concerned to conclude it before the end of 1992.

65. The Chairman thanked the Director General for his Annual Report and his remarks during the debate. He noted that his predecessor during the preceding year's overview meeting in April 1991, had detected a strong wish to rapidly conclude the Uruguay Round, and had wondered at the paradox that it had not been possible to do multilaterally what a number of countries had done unilaterally. This year, he had himself noted the same strong wish for an early conclusion to the Round in the background of an acceleration in the autonomous liberalization process, and the continued existence of the paradox referred to the previous year. A way had to be found to resolve this paradox. He hoped that the process would be assisted by the discussion at the present meeting. While this problem was being resolved, there seemed to be no justification for not supporting, adhering to or living by the existing system. He wondered whether there was a link between respect for the existing system -- however inadequate and imperfect it may be -- and the willingness to bring the Round to a successful conclusion, and whether this was not in particular, reflected in the implementation of existing dispute settlement procedures and the phasing out of grey area measures? The accelerated trend to regional trade arrangements was welcome only if, and to the extent, that this trend was supportive of the multilateral liberalization effort and was consistent with the multilateral trade rules and objectives.

66. The Council took note of the statements and agreed that the overview of developments in international trade and the trading system had been conducted.