

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

CONTRACTING PARTIES
Forty-Eighth Session

SUMMARY RECORD OF THE FIRST MEETING

Held at the International Conference Centre, Geneva
on Wednesday, 2 December 1992 at 3.15 p.m.

Chairman: Mr. Lars E.R. Anell (Sweden)

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Chairman's opening address

The CHAIRMAN made an opening address (GATT/1558).

The CHAIRMAN welcomed Mozambique and Namibia as the one-hundred-and-fourth and -fifth contracting parties.

With regard to Yugoslavia's status as a contracting party, the CHAIRMAN recalled that at its meeting in June 1992, the Council had agreed to a proposal by its Chairman that "... without prejudice to the question of who should succeed the former SFRY [Socialist Federal Republic of Yugoslavia] in the GATT, and until the Council returned to this issue ... the representative of the FRY [Federal Republic of Yugoslavia] should refrain from participating in the business of the Council" (C/M/257 and Corr.1, item 1). He suggested that this also applied, by analogy, to Sessions of the CONTRACTING PARTIES.

The CONTRACTING PARTIES so agreed.

Adoption of the Agenda

The CHAIRMAN noted that the Provisional Agenda was contained in L/7112, and proposed adding the following items to the Agenda: "Belarus - Request for observer status"; "Accession of Albania"; "Article XXIV:6 consultations between Argentina and the European Economic Community"; and "Participation in GATT of the Czech Republic and the Slovak Republic".

The Agenda was adopted, as amended (L/7134).

Order of Business

The CHAIRMAN drew attention to the Proposed Order of Business circulated in W.48/1 which gave an outline of the organization of work during the Session. He proposed beginning with the presentation of reports, followed by consideration of the request for observer status by Belarus, the Accession of Albania, and the general statements by contracting parties, followed later by consideration of the report of the Council, Article XXIV:6 consultations between Argentina and the European Economic Community, and the participation in GATT of the Czech Republic and the Slovak Republic, and finally the dates for the next regular Session and the Election of Officers.

The CONTRACTING PARTIES approved the Order of Business as proposed in W.48/1, as amended.

Presentation of reports

Presenting the Council's report (L/7125 and Add.1), its Chairman, Mr. Zutshi (India), said that the report clearly showed the range and importance of the Council's activities during the year. The Council, as the governing body of the GATT and acting on behalf of the CONTRACTING PARTIES, had remained the forum to which governments brought their problems and took up issues arising from the day-to-day handling of their trade policies. But it had also increasingly assumed a more important "management" rôle in overseeing activities in areas of responsibility such as the trade and environment issue, the monitoring of the implementation of dispute settlement panel recommendations, and the trade policy reviews of individual contracting parties. As a result, its activities had covered a wider range of issues and had involved much larger participation than in the past.

A major part of the Council's work in 1992 had been its continuing involvement in the dispute settlement process. The procedural improvements introduced in April 1989 (BISD 36S/61) had considerably streamlined some aspects of the dispute settlement mechanism, and had thereby facilitated the handling of disputes. However, while it was true that the number of disputes brought before the Council in 1992, or the number of panels established, had not increased as compared to 1991, the dispute settlement mechanism had suffered from the failure on the part of some contracting parties to implement panel recommendations. The Director-General's most recent report to the Council on dispute settlement (C/182) had referred to more than ten cases where the implementation of panel decisions had still been pending. The entire dispute settlement system was rendered meaningless if the ensuing decisions were not respected. It was also obvious that, if not arrested, this trend would have far-reaching implications for the credibility of the trading system. The dispute settlement mechanism envisaged as part of the final package of the Uruguay Round would go a long way towards solving the problems concerning the functioning of the present system.

During 1992, the Council had continued to review the trade policies and practices of contracting parties under the Trade Policy Review Mechanism. Thirteen reviews had been carried out thus far, including second reviews for Canada, Japan and the United States. The Community's second review was scheduled to be conducted in early 1993. These reviews had provided many contracting parties the opportunity to examine their own trade policy formulation and implementation. The reports provided a comprehensive picture of national trade policies and practices, and increasingly analysed the evolution of the policies and practices including their consequences for the economies concerned and for the world trading system. The discussions in the Council could, however, still be improved. Like his predecessors, he had experimented with the structure of the meetings in order to try to promote more focused discussions. Contracting parties would agree with him that there should be a deeper examination of the trade policies and practices of the countries under review, which should transcend the normal GATT practice of set statements. In this connection, larger attendance and more active participation by delegations in the review meetings was crucial for the credibility of that mechanism.

Another area of the Council's work in the past year related to the issue of trade and the environment, and more particularly to the GATT's contribution to the United Nations Conference on Environment and Development (UNCED), and its follow-up to the results thereof in the area of trade. Following intensive consultations, the issue of the follow-up to the UNCED recommendations had been resolved, and he would be reporting thereon during the CONTRACTING PARTIES' consideration of the Council's report (see page 12). In this context, he noted that the Group on Environmental Measures and International Trade had already held a number of meetings under the Chairmanship of Mr. Ukawa (Japan) and would be reporting on its activities, through its Chairman, to the CONTRACTING PARTIES for the first time.

This year again the Council had witnessed the continuation of the trend towards the establishment of free-trade areas and regional trading arrangements. This was an important trend in international trade, as illustrated both by the number and scope of the agreements as well as by the diversity of countries, both developed and developing, that were involved. It would undoubtedly have a strong bearing on the course of future activities in the GATT. The Council would again have to play a central rôle in the examination of such arrangements in order to ensure their consistency with GATT rules. In this connection, there would be a need to review current procedures for examination of such arrangements in the Council.

He drew attention to two specific issues which had already been flagged by two of his predecessors, and to two other issues, which would need to be addressed by the Council, if at all possible, in 1993. The first issue was how to implement improvements in reporting on developments in regional agreements -- as all were aware, the requirements for biennial reporting had not been followed for quite some time, and calendars for such reports had not been established by the Council since 1987. The second issue related to the need to streamline the procedures for derestricting GATT documents. These procedures had become inadequate and somewhat out of

step with present-day information needs and methods, especially since the GATT had increasingly become of interest to the press, the schools, private enterprises, and to the public at large. The third issue was the review of the status of observers in the GATT and their rights and obligations. The Council had agreed in May 1990 to conduct such a review at the end of 1992, and it had now been agreed that this review should be conducted in early 1993. The fourth issue was the proliferation and semi-permanence of waivers requested for the implementation of the harmonized system tariff nomenclature, which seemed to have acquired a kind of automaticity that had been deplored on several occasions in the Council by a number of contracting parties.

He referred to the task that awaited the Council in 1993 in respect of important administrative and budgetary questions. One issue to which the Council had devoted considerable time and attention in 1992, both formally and informally, related to the International Trade Centre UNCTAD/GATT, and more particularly to the question of the appointment of an Executive Director to head the Centre. All contracting parties were aware of its urgency.

Turning to another issue in this area, he recalled that at the June Council meeting, the Director-General had referred to an urgent need to remedy the serious degradation of pension and salary conditions of the professional staff and had said then that the question of the staff's conditions of service was very much linked to the outcome of the Uruguay Round. Since the outcome of the Round now appeared to be within reach, conditions might soon exist for the Director-General to undertake the consultations he had intended to carry out, and to present specific proposals for consideration by the Council early in 1993.

Finally, another important question with administrative and budgetary ramifications was that of the need for adequate conference room facilities for Council meetings. The large number of new contracting parties, new applicants and new Council observers in recent years, together with the more active participation of the existing contracting parties, had further highlighted the urgency of providing such facilities in the very near future.

Presenting the report of the Committee on Trade and Development (L/7124), its Chairman, Mr. Seade (Mexico), said that the Committee had held two sessions in 1992, in July and November. It had pursued its work in relation to its regular and continuing responsibilities regarding the implementation of Part IV and the operation of the Enabling Clause¹, as well as in connection with its future work programme after the Uruguay Round.

¹Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (BISD 26S/203).

The Committee had reviewed recent developments under the Generalized System of Preferences (GSP) schemes of individual preference-giving countries and had noted that a number of them had taken action to extend their GSP schemes for a further period, and that other countries were in the process of doing so. Preference-receiving countries had stressed the continuing importance of the GSP as a policy instrument aimed at improving market access for developing-country exports and had expressed the hope that GSP schemes would be further improved in terms of product-coverage, preferential margins, predictability and stability.

As a reflection of increased interest in monitoring regional initiatives, the Committee had directed greater attention to preferential arrangements concluded among developing countries and justified by them under the Enabling Clause. The Committee had considered developments related to several regional arrangements, such as the Southern Common Market (MERCOSUR), the Free Trade Association to be implemented by the year 2008 by the ASEAN countries, the ANDEAN Group, and the Additional Protocol on Preferential Tariffs concluded by the Economic Cooperation Organization comprising Iran, Pakistan and Turkey.

As part of its work relating to the supervision of the operation of the Enabling Clause, the Committee at its November 1992 session had conducted a comprehensive review of the participation of developing countries, including the least-developed ones, in the multilateral trading system. The review had encompassed recent developments in trade among developing countries and with industrial nations, external developments having a bearing on the trade and economic situation of developing countries, and developments in trade policies of developing and industrial countries as well as in relevant GATT bodies. For the purpose of the review, the Secretariat had prepared a background note. The Committee had noted the significant trade liberalization programmes undertaken by developing countries since the commencement of the Uruguay Round. The importance of supportive action on the part of their trading partners and the need for a stable and liberal economic environment had been emphasized and, in this context, a quick and successful conclusion of the Uruguay Round negotiations underscored. The Committee had agreed to institute and conduct such reviews on a regular basis at its end-of-year meetings, in order to strengthen its monitoring function. It had also been agreed that the background note by the Secretariat on participation of developing countries in the multilateral trading system should be produced on a regular basis for the purpose of those reviews, and that its contents should be more critical and analytical.

The Committee had continued to review the GATT technical cooperation activities in favour of developing countries, which was becoming an increasingly important policy instrument of the CONTRACTING PARTIES. It had been emphasized that such activities should be strengthened in future and their effectiveness enhanced in order to better respond to the growing needs of developing countries arising from their more active participation in the GATT system and from the complexity of issues in the multilateral trading system. Since this trend was likely to continue in the years ahead, it was felt that the budgetary implications of this important sector of GATT's activities would have to be borne in mind by the CONTRACTING PARTIES in planning for the future.

The Committee had also started a process of reflection on the question of its future work programme. While it had been acknowledged that a precise decision on this matter could only be taken when the results of the Uruguay Round were known, many delegations had felt that the Committee's work would, in any case, have to be more action-oriented, in particular with a view to identifying ways and means for increasing the participation of developing countries in the multilateral trading system, which was a basic objective of the Enabling Clause.

He then recalled that in the course of the year the question of the examination of the MERCOSUR Agreement had been discussed both in the Committee and in informal consultations which he had been authorized to conduct. Although some progress had been made in those consultations, no agreement had been reached. During these consultations a non-paper containing possible procedures for the examination of the Agreement had been discussed and subsequently circulated to the Committee's members (see L/7124, paragraph 25). In general terms, the approach outlined in that paper had been considered by a majority of delegations as a useful avenue to pursue in seeking a solution to the matter at hand. However, other delegations had felt that an altogether different approach was warranted. As a result, it had not so far been possible to reach agreement on the basis of that text.

In the course of the consultations, it had been felt that this particular issue might be taken up at the level of the CONTRACTING PARTIES at the present Session. Therefore, on his own responsibility, he would suggest that the CONTRACTING PARTIES authorize their Chairman to pursue consultations on this question on the basis of the discussions already held and, on behalf of the CONTRACTING PARTIES, to determine possible procedures and modalities for examination of the MERCOSUR Agreement including, as appropriate, the terms of reference for a working party.

Mr. Amorim (Brazil), speaking also on behalf of Argentina and Uruguay, said that they had noted the report by the Chairman of the Committee on Trade and Development (CTD), and appreciated his efforts to bring the question of the review of MERCOSUR to an acceptable solution. The contracting parties members of MERCOSUR had participated in the Committee's discussions and also in the consultations held by its Chairman in a constructive spirit, hoping that an agreement could be reached over the terms of reference of a working group on the basis of a proposal which had been supported by the vast majority of interested parties. They had no objection to the suggestion that the CONTRACTING PARTIES' Chairman hold consultations on the matter at hand, and assured all of the MERCOSUR countries' cooperation to arrive at a successful result. However, it should be clear that such consultations should not begin anew but be based on the work already done so far, in particular the elements contained in the non-paper circulated by the CTD Chairman on his own responsibility (L/7124, paragraph 25).

The CHAIRMAN suggested that the CONTRACTING PARTIES take note of the statement by Brazil also on behalf of Argentina and Uruguay and of the proposal by the Chairman of the Committee on Trade and Development, and authorize their CHAIRMAN to conduct further consultations on this matter.

The CONTRACTING PARTIES so agreed.

The CHAIRMAN then drew attention to the following reports of the Committees and Councils charged with the implementation of the MTN Agreements and Arrangements: Committee on Trade in Civil Aircraft (L/7101), Committee on Technical Barriers to Trade (L/7107), Committee on Import Licensing (L/7109), International Dairy Products Council (L/7116), International Meat Council (L/7114), Committee on Government Procurement (7121), Committee on Anti-Dumping Practices (L/7118), Committee on Subsidies and Countervailing Measures (L/7113 and Corr.1), and Committee on Customs Valuation (L/7115).

Belarus

- Request for observer status

The CHAIRMAN drew attention to a communication from Belarus (L/7085) requesting observer status at Sessions of the CONTRACTING PARTIES and at meetings of the Council. He said that the understandings regarding observers that had been noted at the May 1990 Council meeting, and to which the Chairman of the Council had referred at its meeting in June 1992, should also apply to the Government of Belarus if the CONTRACTING PARTIES approved its request for observer status at the present Session. He then stated that it was his understanding that contracting parties were in favour of this request. Accordingly, he suggested that the CONTRACTING PARTIES take note of his statement and agree to grant Belarus observer status.

The CONTRACTING PARTIES so agreed.

Mr. Mardovitch (Belarus), speaking as an observer, expressed his Government's gratitude for the positive consideration of its request for observer status. Belarus would be a reliable partner in the multilateral trading system of the GATT. The experience acquired in the GATT would help Belarus in its transition toward a market economy and in resolving problems in its integration into the world economy.

The CONTRACTING PARTIES took note of the statement.

Accession of Albania

- Communication from Albania

The CHAIRMAN drew attention to a communication from Albania (L/7120) concerning its interest in acceding to the General Agreement under the provisions of Article XXXIII.

Mr. Bezhani (Albania), speaking as an observer, said that Albania had broken with fifteen years of total isolation and had started a process of integration into the international community. Over the past year, Albania had undertaken important changes to move from a centrally planned to a market economy. It was aware that the transition period would be long and that enormous problems would have to be overcome. In this context, Albania

considered the initiation of the process of its accession to GATT as an essential step within the framework of its general reform. During its period as an observer in the GATT since June 1992, Albania had held consultations with some contracting parties and had strengthened its trade relations with them through bilateral treaties. Albania was already undertaking some obligations under the GATT framework, and one of its objectives was the drafting of relevant laws in conformity with the General Agreement.

The CHAIRMAN proposed that the CONTRACTING PARTIES take note of the statement and agree to establish a working party with the following terms of reference and composition:

Terms of reference

"To examine the application of the Government of Albania to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which may include a draft Protocol of Accession."

Membership

Membership would be open to all contracting parties indicating their wish to serve on the Working Party.

The CONTRACTING PARTIES so agreed², and authorized the Council Chairman to designate the Chairman of the Working Party in consultation with representatives of contracting parties and with the representative of Albania.

The CHAIRMAN invited the representative of Albania to consult with the Secretariat as to further procedures, in particular regarding the basic documentation to be considered by the Working Party. On behalf of the CONTRACTING PARTIES, he also invited Albania to attend meetings of the Council and of other GATT bodies as an observer during the period when the Working Party was carrying out its work.

Activities of GATT

The following general statements were made:

Mr. Tsudao Gurirab
Permanent Secretary, Ministry of Trade and
Industry of Namibia

SR.48/ST/1

Mr. Celso L.N. Amorim
Ambassador, Permanent Representative of Brazil

SR.48/ST/2

²L/7154.

Mr. Juan Archibaldo Lanús
Ambassador, Permanent Representative of Argentina

SR.48/ST/3

Mr. Syed Jamaluddin
Economic Minister, Permanent Mission of Bangladesh
(speaking on behalf of the least-developed
contracting parties)

SR.48/ST/4

Dr. Mounir Zahran
Ambassador, Permanent Representative of Egypt

SR.48/ST/5

Mr. Amorim (Brazil) raised the specific matter of the United States' recently announced preliminary countervailing duty measures on steel³. Although Brazil had embarked on a far-reaching, fair and open privatization programme, not only were its markets not expanding, but very recently it had come up against another, unexpected barrier -- the sudden change in methodology for calculation of subsidies -- which had resulted in the application of provisional countervailing duties, some of the order of almost 60 per cent, on Brazilian products in the United States, which was one of its main markets. Unfair and highly questionable methods, added to the high costs involved in the investigation itself, were threatening to make exportation prohibitive, disturbing production, reducing employment opportunities, and jeopardizing the privatization programme. Brazil considered the recent US countervailing measures arbitrary and designed to protect the interests of inefficient domestic producers. These measures had been applied in spite of Brazil's determined participation in lengthy, costly, time and effort consuming plurilateral negotiations aimed at establishing a Multilateral Steel Agreement. Brazil was shocked at the measures taken, and was examining the steps it could take either bilaterally or under the GATT, or both, to ensure that this new spree of protectionism could be reversed.

Mr. Abbott (European Communities) said that the Community was extremely preoccupied by the recently announced US countervailing duty measures on imports of flat-rolled steel products originating in a number of Community member States. While the measures naturally differed from case to case, the amounts of the duty were extremely high in a number of cases, ranging up to 60 per cent. These duties affected about 2 million tonnes of Community steel exports worth nearly US\$1 billion in 1991. The Community had already expressed in other ways its deep preoccupation with the high rates which had been chosen by the US Administration and lacked any justification. Brazil had already referred in this regard to changes in assessment. The Community had a number of other points of detail about the way in which the United States' investigation had been conducted, and regretted that some points raised by the Community at an earlier stage in

³ This matter was also addressed at this meeting by Mr. Abbott (European Communities) (see next statement). At the Third meeting, it was addressed also by Mr. Waas (Austria) and Mr. Asakai (Japan) (see SR.48/3, pages 5-6).

the process appeared not to have been taken into account. The result of these measures would be that exports of these products to the United States for a number of Community exporters would effectively be halted and the US market closed to them. While this was in itself of concern, the fact that there might be a diversion of trade was another matter. The Community saw these series of actions as being almost political in nature. The United States' industry had lodged a complaint under US legislation on anti-dumping and countervailing measures barely two weeks after the end of voluntary export arrangements which had been in force for ten years. It was hardly possible to construct a case in two weeks, let alone to argue convincingly for injury after a period of ten years in which other countries' exporters had been exercising restraint. The Community's exporters were nowhere near filling their ceilings under those arrangements, and there was therefore not that much pressure on the US industry. The Community believed that legitimate trade policy instruments had been exploited by the US steel industry to harass its foreign competitors and divert world trade flows, unduly blaming imports for primarily domestic problems in that industry.

The Community profoundly regretted these decisions and the orientation of US policy they seemed to reflect. It particularly regretted this tendency at a moment when it had been hoping and expecting to undertake further efforts to arrive at a multilateral solution to the problems of steel trade in the form of an agreement within the general ambit of the Uruguay Round. The United States' decisions, and the further decisions to come, seemed to be extremely unhelpful. The Community reserved its GATT rights on this matter, as also the right to raise this issue in an appropriate GATT forum in the future.

Report of the Council (L/7125 and Add.1)

The CHAIRMAN referred to the report of the Council of Representatives on its work since the Forty-Seventh Session. A list of matters on which the CONTRACTING PARTIES were expected to take action had been circulated in L/7125/Add.1. He stressed that the report was not intended to reflect detailed positions of delegations, since the Council Minutes contained such information and remained the record of the Council's work.

Point 2. Trade Policy Review Mechanism

Sub-point 2(b). Country reviews

The CHAIRMAN recalled that the Decision of 12 April 1989 on the Functioning of the GATT System (BISD 36S/403, paragraph I.D.(vi)) provided for the reports by the contracting parties under review and by the Secretariat, together with the minutes of the respective Council meetings, to be forwarded to the next regular Session of the CONTRACTING PARTIES, which would take note of them. Accordingly, the relevant documents pertaining to the reviews of Argentina, Austria, Bangladesh, Brazil, Canada, Egypt, Finland, Ghana, Japan, Korea, the United States and Uruguay were before the CONTRACTING PARTIES.

The CONTRACTING PARTIES took note of the reports by the contracting parties under review and by the Secretariat, and of the minutes of the respective Council meetings.

Point 5. Committee on Balance-of-Payments Restrictions

Sub-point 5(c). Consultations

- (i) Consultation with Egypt (BOP/R/201)
- (ii) Consultation with Tunisia (BOP/R/202)
- (iii) Note on the meeting of 8 and 9 October 1992
(BOP/R/203)

Mr. Zutshi (India), Chairman of the Council, introduced the reports on behalf of Mr. Boittin (France), Chairman of the Committee. The Committee had met on 8 and 9 October 1992, and had held full consultations with Egypt and Tunisia pursuant to Article XVIII:12(b) and the Declaration of the CONTRACTING PARTIES on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205), respectively.

The Committee had commended Egypt for launching a comprehensive reform programme in 1991, which had included financial stabilization policies combined with sectoral reforms and had reduced Government intervention in economic activity. It had noted with satisfaction that the implementation of the initial stages of the reform programme had resulted in an improvement in the balance-of-payments situation in 1991, and had expressed the hope that continuation of the reform programme would consolidate this trend. The Committee had encouraged Egypt to continue the reform process and to accelerate the implementation of fiscal and other structural reforms. It had welcomed that, in line with the Committee's recommendations made in 1988, Egypt had dismantled a number of trade restrictions, including substantial reduction in the list of conditionally prohibited goods, abolition of the import licensing system, termination of the requirement for importers to open letters of credit, abolition of import deposit requirement, and reduction of a number of tariff rates. The unification of the exchange rate had been also welcomed. The Committee had noted, however, that a significant number of quantitative restrictions were still maintained, that many tariff rates were high and that the tariff system lacked transparency. Concerns had also been expressed over the effects of quality controls introduced on some products. In view of the substantial improvement in Egypt's balance-of-payments situation, the Committee had asked Egypt to establish a timetable, prior to the next consultation, for the progressive elimination of the existing import restrictions maintained for balance-of-payments purposes, and to consider the possibility of disinvoking Article XVIII:B. The Committee had recognized that better access to foreign markets would contribute to strengthening the reform process in Egypt.

In respect of Tunisia, the Committee had welcomed the economic recovery in that country since the previous consultation, while recognizing that structural difficulties remained in its balance-of-payments situation. Improvements in economic performance had, in large measure, resulted from the market-oriented macro-economic adjustment and structural reform programme initiated in 1986, which had been pursued continuously. The

Committee had congratulated Tunisia on this progress and had encouraged it to continue the reform and adjustment process vigorously in the context of the Eighth Development Plan adopted for 1992-96. The Committee had noted with satisfaction that Tunisia had taken substantial steps in the liberalization of its trade and payments régimes. These had included rationalization of the tariff structure, elimination of quantitative restrictions on most imported goods and abolition of some state monopolies and foreign exchange restrictions. The Committee had encouraged Tunisia to pursue the elimination of remaining State monopolies and the compensatory duties which had been introduced on a number of items in 1991. The Committee had welcomed Tunisia's commitment to phase out its conjunctural tax by the end of 1992 and to pursue its programme relating to elimination of quantitative restrictions. In this context, it looked forward to the disinvocation of Article XVIII:B by Tunisia as soon as the balance of payments recovered its structural stability.

Under Other Business, as set out in BOP/R/203, the Committee had agreed that the next full consultation with the Philippines would take place in December 1992, in conjunction with the Trade Policy Review of that country. However, due to the late arrival of documentation relating to the Philippines, the trade policy review and the balance-of-payments consultation had been postponed, and would now be held on 21 January 1993. The Committee had also agreed that the full consultation with Nigeria, originally scheduled for November/December 1992, would be postponed to early 1993, and had noted that the date for the full consultation with Turkey was still subject to further consultations. It was now proposed that both consultations take place in mid-March 1993. The Committee had also noted the statement by the Czech and Slovak Federal Republic that, within a very short time, it would officially notify its intention to abolish by the end of 1992, the import surcharge introduced in December 1990. Also at that meeting, the United States had reiterated its position presented at the September Council meeting regarding South Africa's import surcharge. It had been stated that if the surcharge was applied for balance-of-payments reasons, South Africa should consult the Committee. Two other contracting parties had also reiterated their concerns about South Africa's measure.

The CONTRACTING PARTIES adopted the reports in BOP/R/201 and 202, and took note of the information in BOP/R/203.

Point 6. Trade and environment

Sub-point 6(a). GATT's follow-up to the United Nations Conference on Environment and Development⁴

Mr. Zutshi (India), Chairman of the Council, recalled that at the Council meeting in July, the Director-General had drawn attention to a

⁴References to the matter under discussion on this sub-point were also made at the Second meeting (see SR.48/2, pages 2-11).

recently circulated Note by the Secretariat (L/6892/Add.3) on the results of the United Nations Conference on Environment and Development (UNCED) as they related to trade and the multilateral trading system. In his capacity as Council Chairman, he had been authorized to hold consultations on how GATT should proceed by way of a follow-up to the recommendations of the UNCED in the area of trade.

From his consultations, it was clear that contracting parties warmly welcomed the UNCED Declaration and the progress that had been made by the UNCED in fostering further multilateral cooperation, and were determined that GATT should play its full part in ensuring that policies in the fields of trade, the environment and sustainable development were compatible and mutually reinforcing. It was also clear that the GATT's competence was limited to trade policies and those trade-related aspects of environmental policies which might result in significant trade effects for GATT contracting parties. In respect neither of its vocation nor of its competence was the GATT equipped to become involved in the tasks of reviewing national environmental priorities, setting environmental standards or developing global policies on the environment. Nevertheless, the multilateral trading system did have a central rôle to play in supporting an open international economic system and fostering economic growth and sustainable development, especially in the developing countries, to help address the problems of environmental degradation and the over-exploitation of natural resources.

The importance attached by the UNCED to a successful outcome of the Uruguay Round negotiations had been welcomed, and remained the top priority for contracting parties. It held the key to the liberalization of trade and the maintenance of an open, non-discriminatory multilateral trading system, which were main elements of the framework for international cooperation that were being sought to protect the environment and to accelerate sustainable development in developing countries. Also, the special concerns that had been raised by the UNCED about the need to improve market access for developing countries' exports, particularly by reducing tariff and non-tariff impediments, including tariff escalation, and to improve the functioning of commodity markets were well recognized.

The Committee on Trade and Development had a rôle to play in the follow-up to the UNCED in GATT. The Committee should, at the invitation of the CONTRACTING PARTIES, take on board within the scope of its terms of reference, including the decision of the CONTRACTING PARTIES at their Thirty-Fifth Session in 1979 to strengthen the Committee's rôle, those matters raised by the UNCED in the context of promoting sustainable development through trade liberalization (Agenda 21, Chapter 2: Introduction and Section A).

The Group on Environmental Measures and International Trade should also be closely involved, within the scope of its terms of reference, in the GATT follow-up on the UNCED with respect to making trade and environment policies mutually supportive (Agenda 21, Chapter 2: Introduction and Section B). Keeping in view that Chapter 2 of Agenda 21

related to accelerating sustainable development, and giving close attention to the objectives set out for governments in Chapter 2.21, particularly 2.21(b), the Group should examine and take into account the propositions and principles enumerated in Chapter 2.22, bearing in mind that the Council, in discharging the responsibilities of the CONTRACTING PARTIES between Sessions, was the responsible GATT body for matters relating to inter-institutional and other external relations (Chapter 2.22(a), (b), (h) and (k)).

The decision of the Council in July 1991 (see C/M/251, item 2) to extend the mandate of the Working Group on Export of Domestically Prohibited Goods and Other Hazardous Substances for a period of three months, beginning from the date of the Group's next meeting, and to authorize the Council Chairman to consult on the timing of that meeting should also be recalled in the context of the UNCED follow-up.

Within twelve months, the Council should hold a meeting devoted to this issue to review, and, as necessary, supplement, the work that was underway in GATT relating to the follow-up to the UNCED. The Committee on Trade and Development and the Group on Environmental Measures and International Trade should contribute to that review by reporting to the meeting on the progress they were making with the matters referred to them.

Mr. Yerxa (United States) said that his Government welcomed the results of the informal consultations on the UNCED follow-up in the GATT. Although the UNCED had clearly been a historic event, what was more important was how the international community followed through on the process begun by UNCED. The United States strongly endorsed the message reflected in the Council Chairman's statement that the GATT was prepared to play its full part in this process. In taking this action, all should realize that the GATT was creating an expectation, on the part of those that were following its actions, which had to be met. This expectation was that the GATT would deal in a serious and balanced manner with the important interrelationships between trade and the environment as they related to sustainable development. The UNCED had set out the all-important task of ensuring that policies in the fields of trade and the environment were compatible and mutually reinforcing. He believed that the GATT would rise to meet this challenge.

However, success would not come automatically and would require hard work. Moreover, a crucial part of this process would be to fully consider and respond to the concerns that all heard each day from the environmental community. The Council Chairman's statement had already made an important contribution to this process by recognizing that all had agreed that it was not within GATT's competence to determine, or second guess, the level of environmental protection deemed necessary by governments or their sub-divisions.

Referring to the Secretariat's Note on the results of the UNCED (L/6892/Add.3), he said that since that Note had been based on incomplete conference documentation, the Note itself was incomplete. In particular, in describing the UNCED Declaration, the Note had referred to what the

Secretariat termed "reservations" by a number of countries on certain principles. He pointed out that at the UNCED the United States had made a number of interpretative statements rather than expressed reservations. In addition to the interpretative statement mentioned in the Secretariat's Note, there had been interpretative statements on a number of other principles, including Principle 12. In concluding, he said that the United States stood ready to participate actively and positively in the process that had been embarked upon that day.

Mr. Shannon (Canada) said that his Government supported the Council Chairman's proposals. Canada attached particular importance to Principle 12 of the UNCED Declaration, which it believed was pertinent and should guide GATT's work on trade and the environment.

Mr. Amorim (Brazil) said that the environment problem and its links to trade were of great importance to Brazil. The Group on Environmental Measures and International Trade had begun an important task of elucidating important questions, such as the relationship between GATT and multilateral environmental agreements, the extra-jurisdictional application of domestic measures and the scope and the conditions of the applicability of Article XX to environmental measures, and those questions related to eco-labelling, including transparency and the trade effects of such measures. As the country that had hosted the UNCED and as an active participant in its deliberations, Brazil had a clear interest in ensuring the implementation of the conclusions that had emanated therefrom. Brazil therefore welcomed the consensus reached in consultations by the Council Chairman on the most effective way to involve GATT bodies in this process.

Mr. Abbott (European Communities) said that it was important at the present stage to take a first step in the GATT on this issue so that the multilateral trading system took into account, within the perspective of sustainable development, the relationship between trade and the environment. For the GATT, this would be the beginning of a process of collective reflection, of giving priority to a multilateral approach in the follow-up to the UNCED, an approach where the wisdom of multilateralism prevailed over the arbitrary unilateralism of trade measures taken outside the multilateral system. This did not mean that contracting parties would lose their autonomy or their discretion in the field of environmental policy. Rather, it meant that this autonomy should be placed at the service of the collective good of the planet. Unilateralism, by definition, denied solidarity and interdependence, which were the very foundations of multilateralism. One could not claim that the world's environment, which was a shared heritage, could be protected or settled by one country alone or even a few countries together. If the drafters of the General Agreement had been present today, they would have reminded all that the GATT had been set up after the failure of unilateralism and bilateralism in the 1930s. The Community called on all to draw on the lesson of experience and not to repeat, in this new field which was an interface between trade and environmental policies, the errors committed in the past.

Mr. Misle (Venezuela) said that the relationship between the environment, trade and development had been of constant concern to his

country in all the international fora in which this issue had been discussed. He expressed satisfaction with the work done by the Group on Environmental Measures and International Trade. Venezuela hoped that in the future, the Group would contribute to the effective realization of the programme contained in the UNCED's Agenda 21, and to provide an adequate answer to the rôle that trade should play in the process of sustainability of the planet. Venezuela was particularly interested to see the GATT comply with the mandate that the international community had given it at the UNCED, inter alia to promote a balanced dialogue on trade, development and the environment; to ensure the transparency and compatibility of trade measures taken for environmental reasons in pursuance of international obligations; to avoid the use of trade restrictions as a means of balancing cost differentials originating from various environmental regulations at the domestic level; to ensure that environmental measures did not constitute a means of arbitrary or unjustified discrimination; and to prevent the imposition of unilateral trade measures of an extra-territorial character on the pretext of environmental protection. These considerations were contained in Chapter 2, Section B of Agenda 21, and it was up to the CONTRACTING PARTIES to ensure that this mandate was complied with.

Mr. Stancanelli (Argentina) said that Argentina shared the Council Chairman's conclusions as regards the follow-up on the work on trade and environment within the purview of the GATT. He recalled that work on issue of trade and the environment had been carried out in GATT for a long time. In this context, he recalled the 1971 study by the Secretariat on industrial pollution control and international trade⁶, the Secretariat's contributions to the UNCED in Rio⁷, the work of the Panel on US restrictions on imports of tuna⁸, and the work presently being undertaken in the Group on Environmental Measures and International trade. The work of this Group, which was of substantial importance, was being carried out in a positive and constructive manner and had been attended by a large number of participants. The discussions therein had focused on such issues as international standards, harmonization of environmental measures as they related to trade, and national provisions. This approach did not mean the denial of contracting parties' sovereignty but rather the strengthening of international cooperation. Finally, he underlined that the GATT had an important rôle to play in this respect.

The CONTRACTING PARTIES agreed to the proposal by the Council Chairman and invited the Committee on Trade and Development to take up the points referred to it.

The CHAIRMAN proposed that the statement by the Council Chairman be released to the Press.

⁶L/3538.

⁷L/6896 and the Chapter on Trade and Environment in the GATT annual report on International Trade 1990-91.

⁸DS21/R.

The CONTRACTING PARTIES so agreed.

Point 19. Customs unions and free-trade areas; regional agreements

Sub-point 19(e)(iii). Free-Trade Agreements between Estonia, Latvia and Lithuania, and Finland

Mr. Hynninen (Finland) said that Protocols regarding temporary arrangements on trade and economic cooperation between Finland on the one hand, and Estonia, Latvia and Lithuania on the other, had been notified to contracting parties in L/7130 and Add.1. These Arrangements had already been provisionally applied pending the completion of the ratification processes in the respective countries. The Protocol between Finland and Estonia had subsequently entered into force on 1 December. The basic objective of these Arrangements was to ensure, in accordance with the relevant GATT provisions, that no new trade barriers were created between the parties concerned. In order to fulfil this objective, trade in the products within the scope of these Arrangements would be conducted free of customs duties and quantitative restrictions or measures having equivalent effects. The Joint Commissions established under these Protocols would decide on measures applicable to agricultural products. The socio-economic situations in Estonia, Latvia and Lithuania had been taken into consideration in the coverage of these Arrangements and the commitments thereunder. All the three Protocols contained an evolutionary clause to explore additional possibilities to promote trade and economic cooperation between the parties concerned, commensurate with the development of their respective economies. Finland was ready to provide further information concerning the operation of these Arrangements in due course.

The CONTRACTING PARTIES agreed to establish a working party as follows:

Terms of reference

"To examine, in the light of the relevant provisions of the General Agreement, the temporary arrangements on trade and economic cooperation between Finland and Estonia, Latvia and Lithuania, and to report to the Council".

Membership

The Working Party would be open to all contracting parties indicating their wish to serve on it.

The CONTRACTING PARTIES authorized the Council Chairman to designate the Chairman of the Working party in consultation with the delegations principally concerned.

Sub-point 19(f). Southern Common Market (MERCOSUR)

The CHAIRMAN recalled that this matter had been considered most recently by the Council at its meeting in November, and had been referred to the present Session for further consideration. He suggested that since the question of MERCOSUR had already been dealt with earlier in the course of the Session (see pages 6-7), the CONTRACTING PARTIES did not need to consider this item further.

The CONTRACTING PARTIES so agreed.

EFTA - Israel Free-Trade Agreement

Mr. Selmer (Norway), speaking on behalf of the EFTA countries, said that the EFTA countries and Israel had jointly notified contracting parties earlier in the week of a free-trade agreement between them (L/7129 and Add.1). The Agreement had been signed on 17 September 1992 and would enter into force on 1 January 1993, subject to ratification in the countries concerned. The objective of the Agreement was to abolish tariffs and other restrictions on substantially all trade between the EFTA countries and Israel. The parties to the Agreement stood ready to provide further information and to enter into consultations on this Agreement.

Mr. Perry (Israel) said that this Agreement aimed to promote, through the expansion of reciprocal trade, the economic relations between the EFTA countries and Israel; to provide fair conditions of competition; to contribute, by the removal of trade barriers, to the harmonious development and expansion of world trade; and to enhance cooperation. The Agreement covered trade in industrial products and processed agricultural products. Bilateral agreements provided for measures to facilitate trade in agricultural products. In line with these objectives, the Agreement contained provisions that dealt with the abolition of tariffs and other restrictions on substantially all trade between the EFTA countries and Israel, and provisions in areas such as technical regulations, public procurement, protection of intellectual property, state monopolies, state aid and competition. As Norway had stated, the parties to the Agreement were ready to hold consultations and to provide further information thereon.

The CONTRACTING PARTIES agreed to refer this matter to the Council for further consideration.

Point 20. Waivers under Article XXV:5

Sub-point 20(c). Harmonized System

The CHAIRMAN drew attention to the following documents containing requests for extensions of waivers from the following countries: Bangladesh (W.48/10), Brazil (W.48/17), Chile (W.48/8), Colombia (W.48/14), Hungary (W.48/15), Israel (W.48/4), Malaysia (W.48/11), Mexico (W.48/12), Pakistan (W.48/5), Sri Lanka (W.48/6), Turkey (W.48/3) and Uruguay (W.48/7). In addition, Argentina (L/7125, Annex I) and Bolivia (L/7125,

Annex II) had made requests for waivers, which had been considered by the Council in November and forwarded to the Session.

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 and contained in BISD 30S/17.

The Decisions were adopted with the following votes in favour: Bangladesh (L/7142) - 63; Brazil (L/7149) - 63; Chile (L/7140) - 63; Colombia (L/7146) - 63; Hungary (L/7148) - 63; Israel (L/7136) - 55; Malaysia (L/7143) - 63; Mexico (L/7144) - 63; Pakistan (L/7137) - 63; Sri Lanka (L/7138) - 63; Turkey (L/7135) - 63; Uruguay (L/7139) - 63; Argentina (L/1750) - 63; and Bolivia (L/7151) - 63. No negative votes were expressed.

Sub-point 20(d). Malawi - Renegotiation of Schedule LXIII

The CHAIRMAN drew attention to the draft decision (L/7125, Annex III) which had been forwarded by the Council to the CONTRACTING PARTIES for adoption by a vote.

The Decision (L/7152) was adopted by 63 votes in favour and none against.

Romania - Establishment of a new Schedule LXIX

The CHAIRMAN drew attention to the communication from Romania requesting an extension of its waiver (W.48/13), and to the draft decision annexed thereto.

The CONTRACTING PARTIES agreed that the draft decision in W.48/13 be submitted for adoption by a vote.

The Decision (L/7145) was adopted by 62 votes in favour and none against.

Senegal - Establishment of a new Schedule XLIX

The CHAIRMAN drew attention to the communication from Senegal requesting an extension of its waiver (W.48/9), and to the draft decision annexed thereto.

The CONTRACTING PARTIES agreed that the draft decision in W.48/9 be submitted for adoption by a vote.

The Decision (L/7141) was adopted by 63 votes in favour and none against.

Zaire - Establishment of a new Schedule LXVIII

The CHAIRMAN drew attention to the communication from Zaire requesting an extension of its waiver (W.48/15), and to the draft decision annexed thereto.

The CONTRACTING PARTIES agreed that the draft decision in W.48/15 be submitted for adoption by a vote.

The Decision (L/7147) was adopted by 63 votes in favour and none against.

Sub-point 20(e). Working Party on "German unification - Transitional measures adopted by the European Communities"

Mr. Carlisle, Deputy Director-General, speaking in his capacity as Chairman of the Working Party on "German Unification - Transitional measures adopted by the European Communities", said that the Working Party had recently completed its report. However, because the report had been completed very late, and owing to its length, it had not been possible to have that document available in three languages in time for consideration by the CONTRACTING PARTIES at their present Session. As a result, he suggested that the report be considered by the Council at its first meeting in 1993.

Mr. Abbott (European Communities) recalled that the Community had indicated to the Working Party that the measures which had been the subject of its discussion would be terminated at the end of the year as scheduled. However, he wished to inform contracting parties that the Community intended to submit shortly a request for an extension of the waiver granted to it for these measures for a further period. He expected this request to be submitted before the end of the year, and that it would be considered by the Council at its first meeting in 1993.

Point 26. Administrative and financial matters

Sub-point 26(a)(ii). Committee on Budget, Finance and Administration - Reports

The CONTRACTING PARTIES adopted the report of the Committee in L/7105, including the specific recommendations contained therein and the Resolution on the expenditure of the CONTRACTING PARTIES in 1993 and the ways and means to meet that expenditure.

The meeting adjourned at 6 p.m.