

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Consultative Group of Eighteen
Seventeenth Meeting
10-12 February 1982

NOTE OF THE SEVENTEENTH MEETING OF THE CONSULTATIVE GROUP OF EIGHTEEN

1. The Consultative Group of Eighteen held its seventeenth meeting on 10-12 February 1982. The annotated provisional agenda was circulated in CG.18/W/65 and the list of participants in CG.18/INF/18.
2. The agenda was as follows:
 1. The current economic situation and its implications for trade policies.
 2. Contribution of the Consultative Group to the preparation of the Ministerial Meeting in November 1982.
 3. Agriculture in the GATT.
 4. Other business.

Item 1. The current economic situation and its implications for trade policies

3. Introducing the secretariat note on the current economic situation (CG.18/W/66) the Chairman drew attention to its concluding paragraphs on the apparent increase in trade conflicts and sectoral crises, and on their costs. The proliferation of bilateral arrangements, export subsidies, and other overt or covered means of protecting markets or promoting exports appeared to be eroding not only the trade rules themselves but also faith in the fairness and dynamism of the open trading system. This crisis of confidence might well be more harmful than the direct effects of the measures themselves. He suggested that the Group should examine the reasons for the growing tendency to discuss trade problems and attempt to solve them outside the framework of GATT rules. He further invited attention to the implications of this tendency for the forthcoming Ministerial meeting.
4. The analysis of the economic situation presented in the secretariat document was supported by most members of the Group, who agreed that economic performance in 1981 had been extremely disappointing, with negative growth rates in several industrialized countries, unemployment at record levels and continuing high inflation. In addition to the elements identified in the secretariat note as contributing to the growth of protectionism, members cited the negative effects of currency instability and high interest rates, and the effects of the rise in the energy costs on the current balances of developed and developing countries.

5. Some members, however, found the analysis too gloomy. They pointed out that despite severe problems in particular sectors, protectionist pressures had in general not given rise to protectionist action. Multilateral co-operation was evident in some areas, such as the operation of the GATT Codes and the renewal of the MFA, and there were encouraging signs of renewed growth in a number of countries where inflation and current account deficits were being reduced.

6. It was pointed out that economic uncertainty had a strongly negative influence on investment decisions and trade expansion, and that a declining respect for GATT rules must inevitably increase such uncertainty. Several members emphasized that trading problems should be dealt with collectively, and in a multilateral context, both in order to ensure transparency and because protectionist measures agreed bilaterally were not only inherently unstable but were likely to shift the burden of adjustment from stronger to weaker trading partners. Reference was made to the need to intensify work in GATT on structural adjustment.

7. Several members gave an account of the recent course of events in the economy of their countries. One said that his government had recently adopted measures for further opening its domestic market, including advance implementation of tariff cuts agreed in the Tokyo Round, the improvement of import testing procedures and the appointment of a trade ombudsman. The policy objective of his government was the elimination of frictions in economic relations through balanced expansion of world trade. Another member said that the leading economic indicators in his country pointed to a gradual recovery, with reduced inflation, lower unemployment, productivity gains and higher savings rates. One member described liberalization measures recently undertaken by his country, despite serious domestic problems. Another member said the liberalization of imports of capital goods and industrial raw materials had produced disappointing results because restrictions in export markets had not permitted a major expansion of exports of manufactures.

8. Concern was expressed about the decline in the volume of world trade in 1981, which had particularly affected the export earnings of developing countries. Borrowing abroad by developing countries as a whole had reached \$400 billion in that year, and there was no indication of early improvement in this respect. Indeed, even oil-exporting countries have been affected by the economic slowdown and might eventually become net borrowers in international money markets. Some members suggested that the secretariat carry out studies on the market situation and prices of minerals, metals and other primary products similar to those already done on a number of agricultural products.

9. Several members stressed the importance of maintaining and strengthening the open trading system in order to defuse protectionism and restore the confidence and stability which would enable industrialists to face up to

competition. It was suggested that the secretariat might prepare a qualitative analysis of protectionism and of the reasons for the tendency to seek bilateral or plurilateral solutions for sectoral problems. One member suggested that the preparation by the secretariat of an inventory of protectionist measures, with an analysis of their trade effects, would help to remedy the lack of transparency which caused widespread concern. This proposal was supported by a number of delegations.

10. The point was also made that the outcome of complaints in GATT against protectionist actions had sometimes been unsatisfactory, with inconclusive action by the Council and further disputes arising from panel reports. Dispute settlement procedures should therefore be improved to ensure that panel reports led to real solutions.

11. One member said that the Group's regular discussions of the current economic situation seemed to vary only in the degree of pessimism expressed. There was little sign of a political will to change the direction of events. But since the economic order was a human creation, its malfunctioning was the result of bad management, not of uncontrollable external forces. Good management, however, required a global approach, not merely national or regional solutions. These matters had been discussed at the recent four-power talks in Key Biscayne and an outline of these discussions from one of the participants would have been very helpful to the Group. If discussions at the GATT Ministerial meeting followed the pattern of the CG.18's exchanges on the economic situation they would serve no purpose; the objective of governments ought to be to put a stop to the trends reported in the secretariat document and it was within their power to do so.

12. In concluding the discussion, the Chairman suggested that in future discussions of the economic situation the Group might concentrate on specific issues with direct policy implications rather than on general macroeconomic conditions. With respect to the various secretariat studies which had been mooted, he recalled that the secretariat periodically issued information on residual import restrictions and other protective measures as well as on subsidies, and produced the "Survey of Developments in Commercial Policy". He agreed that more complete information was very desirable, but to provide it would require more help from governments. He added that to quantify the costs of protectionist measures, as had been proposed, would not be an easy task.

Item 2. Contribution of the Consultative Group of Eighteen to the preparation of the Ministerial meeting in November 1982

13. In introducing the discussion on the Ministerial meeting, the Chairman recalled that, since the Group's last meeting, its proposal that the CONTRACTING PARTIES should meet at ministerial level in 1982 had been endorsed by the CONTRACTING PARTIES. The Ministerial meeting was now a reality and preparations for it had begun both at the national level and in the GATT. In fact, some contracting parties had already made public what

their aims for the Ministerial meeting were. There appeared to be an emerging consensus that the meeting could be a turning point in world trade relations. Recent trends in trade relations had been dangerously unhealthy; the meeting might serve to reverse these trends and to re-establish confidence. This could not be achieved by a simple declaration of Ministers; the meeting must also have a concrete outcome. Among the questions Ministers might address were: in what ways had access to markets become more difficult in recent years? Attention might be directed mainly at the new forms of safeguard actions, such as sectoral arrangements, self-restraint agreements and other even more subtle forms of limiting access to markets. A second main question concerned the way international competition had become more distorted. In this context he referred to the still unresolved problem of subsidized export credits, a problem which did not only concern contracting parties that were granting export credits but also those that were financially unable to do so and were therefore at a competitive disadvantage. This was one of the many issues in which developed and developing countries had a common interest. Other topics were more specifically related to the question of the integration of developing countries in world trade.

14. The Chairman emphasized that in his view the Ministerial meeting should concentrate on issues that deserve the attention of Ministers. Among these a distinction should be made between urgent issues that require ministerial decision and issues that may be included in the future work-programme of the GATT and on which the Ministers might give some orientations.

15. The Chairman concluded by saying that the Consultative Group was only one of the GATT bodies that was asked to contribute to the preparation of the Ministerial meeting. The main responsibility was with the Preparatory Committee, which was reporting to the Council. He asked the Chairman of the Preparatory Committee, Ambassador D.S. McPhail, and the Chairman of the Council, Ambassador B.L. Das, whether they wished to comment on the Ministerial meeting.

16. The Chairman of the Preparatory Committee said that the Preparatory Committee had worked out a tentative schedule for its meetings (cf. PREP.COM/R/2, para. 4). According to this schedule it was envisaged to have a first approximation of the final product, i.e. items to be covered and the main problems to be dealt with, by 20 April. By that date the contribution from other GATT bodies was also expected. He expressed concern that, as yet, the consultation process among delegations had not been as extensive as he would have liked. One reason for this was that the Preparatory Committee was a body open to all contracting parties and that, in order to preserve its universal character, it had not established preparatory sub-groups. He expressed the hope that, now that the Committee had organized its work, governments would take over the initiative and push forward the work of the Committee. The Committee had established a catalogue of suggested topics for the Ministerial meeting. At a future date it

should be possible to put forward some ideas about grouping the suggested topics under the headings that could be derived from the CONTRACTING PARTIES' decision on the Ministerial meeting. His personal expectation was that the Committee would then begin to negotiate by annotating the agenda, and defining more clearly the parameters of the meeting. The result might be a preliminary version of the Committee's report to the Council, to be ready before the mid-year break, the final version being drafted after that break.

17. Between now and then some understanding would also need to be reached on the organization of the meeting, in particular in the way Ministers should interact. Here the spectrum of possibilities reached from small groups to a single gathering with set speeches. A decision also needed to be taken on the nature of the report of the Committee to the Council. One could imagine that there would be in the introduction of the report a reaffirmation of the GATT system; thereafter might come the question of protectionism, market access and other issues which together would represent a package suitable for ministerial consideration in November.

18. The Chairman of the Council said that the Consultative Group, from which the idea of a Ministerial meeting originated, naturally had a keen interest in this matter and could be expected to give broad advice on it. The Ministerial meeting would be a success, not if the newspapers called it a success, but rather if the Ministers went home with the conviction that they had strengthened the trading environment. The task was now to create an atmosphere which would lead to concrete steps but at the same time to guard against raising unrealistically high expectations. In his capacity as member of the CG.18 he suggested three criteria that could be used to select the subjects to be taken up by Ministers. The subjects should be (a) within the purview of GATT, (b) of interest to a large number of contracting parties, and (c) of importance for the resolution of the main problems of international trade. In preparing the programme of action for the 1980s, it was highly relevant to consider the GATT work programme agreed in 1979. The adoption of a new programme without the completion of the existing programme would raise questions and doubts. With regard to the items included in the 1979 work programme, Ministers should at least reach agreement on guidelines or an institutional framework ensuring that they were given adequate attention. It was pertinent for the Ministers to declare their faith in the GATT system, and to examine where GATT obligations were not fully fulfilled, why this was so and how the underlying problem could be tackled so as to ensure the fulfilment of the obligations in the future. Another pertinent question was that of how the GATT, both the organization and the Agreement, could be made more relevant and meaningful to a larger section of the world community. The many changes in the trading environment between the 1960s and 1980s would need to be fully taken into account in this regard.

19. The Group then discussed in detail the overall objectives of the Ministerial meeting, the criteria to be used for selecting agenda items, and the desirability and possible content of a reaffirmation of faith by Ministers in the GATT system. Many remarks were also made on specific agenda items for the Ministerial meeting. The following paragraphs summarize the main points made in the discussion.

20. As to the overall objective of the Ministerial meeting, many members said that it should above all help expand world trade by facilitating access to markets for all countries and all sectors in the present, difficult economic situation. One member defined this aim more precisely: he wished the meeting to secure access to markets on equal terms for unsubsidized producers. There was general agreement that the meeting should also be used to restore confidence in the GATT. One member thought that the Ministers should set trade on a course which would convince governments and the public that the system was moving towards further liberalization and that trade was an aid rather than an obstacle to the self-fulfilment of nations.

21. Another view was that the overall thrust of the meeting should be towards a more effective GATT and greater transparency in trade policies. This should be achieved by ensuring that the same trade rules were applied by all and that more information about national trade regulations was made available to the GATT. One member said that the meeting should give Ministers a heightened conviction that GATT could serve their purposes by helping them deal with domestic protectionist pressures and with problems of access to foreign markets, thus creating a strengthened commitment to the GATT.

22. One member said that he had found the best definition of the objective of the Ministerial meeting in the recent speech by Ambassador Brock of the United States in Davos in which he had said the following: "Countries can and should follow different paths of development, and we celebrate their right to do so. But, because there will be profound differences in how each country manages its economy, we believe it is crucial to structure and strengthen the world trading system anew, and to accommodate those differences in a rational, predictable and equitable fashion."

23. Several members thought that the promotion of the developing countries' trade interest should be among the main objectives of the Ministerial meeting.

24. A number of members expressed the view that one should do everything to prepare a successful and productive meeting but at the same time avoid creating exaggerated expectations. A disappointment could have serious

consequences. One member said that the Ministers simply did not have the right to fail. They should now be made aware that the meeting was not a Ministerial conference of a ceremonial character, confined to the delivery of set speeches, but a meeting to negotiate and to open the way towards the resolution of trade problems.

25. Several members agreed that the Ministerial meeting should deal with matters that fall within the purview of GATT, are of interest to the great majority of the contracting parties, including the developing countries, and are sufficiently important to deserve the attention of Ministers. One member said his government intended to apply the following criteria for determining the priority of a proposed subject matter: the extent to which its inclusion in the agenda of the Ministerial meeting would contribute to the expansion of trade, enhance the rule of law in international trade, and improve the management of the GATT system.

26. Several members made suggestions on a possible categorization of agenda items for the Ministerial meeting. One speaker said that the agenda items could be categorized in accordance with the type of decision Ministers could take on them. There was first the category of items that were ready for a final decision by Ministers. It was conceivable and highly desirable that the problem of safeguards would be put into this category. The integration of the developing countries in the world trading system, in particular an agreement on improved negotiating rules better adapted to their possibilities and situation might also be included in this category. A second category might consist of those issue areas for which discussions were so far advanced that the Ministers could give a starting signal for negotiations. Agriculture might fall into this category, also the Harmonized System and other areas of general concern. A third category would consist of subject matters on which no concrete decisions could be taken because further studies were needed. Here Ministers might be asked to give some orientations. Questions relating to services, investments, structural adjustment and the régime for trade in textiles after the end of the recent prolongation of the MFA might be included in this category.

27. Another member suggested that there should be four categories of agenda items. The first would relate to the implementation of the results of the Tokyo Round, in particular through the full and global acceptance of the codes and other legal instruments agreed during the Tokyo Round. The shortcomings in each of the codes as well as their effects on trade flows should also be analyzed and discussed by Ministers under this heading. The second category would consist of matters pending from the Tokyo Round. In this category fell safeguards and also agriculture, which was an area where universally accepted and interpreted standards, with any exceptions clearly defined and agreed in advance, were required. The third category would deal with specific difficulties in the trade of developing countries. Ministers should speak out on the concrete trade advantages for the developing countries arising directly

out of the Tokyo Round results and on the need to grant preferential treatment to each developing country in accordance with its situation. The rôle of the Committee on Trade and Development and its importance for the least-developed countries should be stressed by Ministers. A fourth category would be other matters which would help make trade more dynamic. Under this category might fall some of the new subject areas of concern to some developed countries.

28. The Group discussed at some length the desirability and possible content of a reaffirmation of the GATT principle by Ministers. One member said that the final document of the Ministerial session should begin with a profession of faith in the GATT system. As ten years had passed since the last Ministerial meeting in GATT, it seemed appropriate that the Ministers reaffirm the importance of the liberalization of trade and underline the rôle of world trade as a motor of growth. It would be also quite normal if they were to underline the contractual character of GATT and of the instruments negotiated under its auspices as well as GATT's rôle as a permanent negotiating body open to all trading nations and for all trade policy issues, be they related to imports or to exports.

29. Other members added that a reaffirmation by Ministers of their faith in GATT would help to dispel uncertainty about future trade policies and to improve the investment climate. It would also help governments to resist the present formidable protectionist pressures. One member warned that trade pledges had lost their credibility and that they could therefore no longer be the sole objective of a Ministerial meeting; to be effective they had to be accompanied by concrete steps confirming the intentions declared.

30. One member said that the final document of the Ministerial meeting should contain a set of basic principles on future GATT activities and on the GATT action programme for the 1980s. With regard to the principles at least three points should be included: (a) an unequivocal commitment to the GATT principles and system based on the recognition of the achievements of the GATT in the field of trade expansion, (b) a strengthening of the rule of law in international trade, that is of the integrity of the GATT system as a legal framework governing trade, and (c) the management of the trade system for the benefit of all countries, including the developing countries.

31. One member said that the proposal that Ministers reaffirm their faith in GATT principles raised the question of which GATT was meant: the General Agreement itself or also the instruments that had evolved under the umbrella of GATT? The MFA, though negotiated in GATT, was an exception to GATT. To this exception a further exception had been introduced in the form of the "reasonable departures" clause. The proposal also raised the question

of which principles were meant. Some GATT principles had been eroded through trade practices and understandings that had evolved at the fringes of GATT. Other basic GATT concepts appeared to have changed their meaning. Thus, reciprocity, which used to have a clear meaning, was now often used to describe retaliation. After a critical review of trade practices and understandings that had evolved around GATT, he concluded that, if one were to reaffirm GATT principles, it was essential to define precisely what one meant by GATT and GATT principles.

32. Another member, speaking in a similar vein, said that violations of GATT had become so frequent that it was now difficult to identify what in fact the GATT trading system was. The Ministerial meeting, in his view, might be an occasion to find out whether the contracting parties still wish to abide by the GATT rules or whether they wish to introduce changes.

33. Many proposals were made on specific subject matters to be taken up by Ministers. The most frequently mentioned topic was safeguards. One suggestion was that the secretariat might set out a catalogue of various types of actions taken in this field. This might facilitate the restarting of discussions, which would, if viewed as part of a general move towards more transparency, be of some value. Another member said, while such a catalogue might be useful, it was important to move towards an improved framework for safeguard action under appropriate disciplines. In the view of one member the resolution of the safeguards issue was the key to re-establishing the integrity of the GATT system.

34. Another topic on which detailed comments were made was trade in services. One member said that the contracting parties should commit themselves to talk seriously about trade in services, which was a critical element in future economic growth. Another member cautioned that, great as the interest in negotiations on services was in certain quarters, it had to be realized that one needed a thorough and accurate study of what was involved in this complex area. He had no objections if it were proposed that Ministers commissioned such a study, but it would no doubt take some time before a negotiation in this area could be considered. One member, agreeing, said that one should initially study the rôle of the GATT in this area. Overly far-reaching objectives should be avoided and one should attempt to identify sectors in which rules similar to those governing trade in goods could be applied.

35. One member said that if the developed countries continued to discuss services only in the OECD, the developing countries, which did not dispose of an OECD-type forum to co-ordinate their views, were at a disadvantage. He urged the developed countries to take their commitment to the multi-lateral trading system seriously and to agree that the matter become the subject of careful and complete study in GATT.

36. The rôle of the developing countries in the trading system was also referred to by many members. Several members said that their authorities would be willing to examine favourably the tariff position on items of export interest to developing countries. One speaker pointed out that much had already been done in this field, in particular through the GSP and the tariff reductions on tropical products. This was reflected in the high import penetration of low-cost countries, in particular in the area of textiles. What was done for developing countries should concentrate on the poorest among them. The more advanced developing countries should open their markets to manufactures, commensurate to their economic strength.

37. One member said that the concept of graduation was a destabilizing and unco-operative idea. Another described it as "impossible, useless and unfair". One member replied that the concept was a reflection of reality. Its application was necessary to ensure that the system was perceived to be fair by all, and it was on this perception of fairness that the support for the system depended.

38. Another member said he had no difficulty with the concept of graduation as such. What gave him concern however was that it had been used unilaterally and in a manner that was both arbitrary and unfair. The responsibilities of major trading nations categorized as developing countries in the GATT system should be clearly defined. If they were competitive in a certain sector, the normal tariff negotiating rules should be applied to them; but they should not be asked to make unilateral tariff concessions outside trade negotiations merely because they had become more competitive. He urged that efforts be made at the Ministerial meeting to give greater precision to the concept of graduation.

39. The question of agriculture was not discussed at length under this agenda item since the Consultative Group had already held a full discussion of the place of agriculture in the GATT under item 3 on the agenda. It was however agreed by all members, in both discussions, that agricultural questions must figure on the ministerial agenda. Among points put forward by members as being suitable for consideration by Ministers were: import restrictions and export subsidies; the acceptance and respect by all contracting parties of generally applied and rigorously interpreted rules in the agricultural sector; institutional arrangements in the GATT to deal with agriculture; reasons for the differential treatment of agriculture in the drafting and in the application of the General Agreement; the pursuit of greater equality, transparency and efficiency by the full application of existing rules and codes, by the reduction of high duties and by improving the level of bindings; examination of points not hitherto covered, or inadequately covered, by GATT or the codes, such as long-term contracts, agricultural credits, mixed sales and price transparency; the outcome and effective implementation of actions taken under Articles XXII or XXIII:2; the usefulness of international commodity agreements and the situation of agricultural exports of developing countries.

40. One member said that it was important to clear up existing problems before entering into new fields. Another member urged that every effort be made in the forthcoming weeks and months to reach a consensus on the various specific proposals made.

41. The Chairman concluded the meeting by saying that the discussion had shown that the members wished the Ministerial meeting to restore confidence in the open and fair trading system as an essential element in the process of economic recovery and development, and that this could be achieved through a more effective implementation of the GATT, a better understanding of the interpretation of the commitments under GATT, and an improvement of the GATT in some respects. He expressed the hope that the discussion would serve as an input into the important work which the Preparatory Committee was carrying out under the Chairmanship of Ambassador McPhail.

Item 3. Agriculture in the GATT

42. In introducing this agenda item, the Chairman recalled that it had been decided to hold the next session of the CONTRACTING PARTIES at ministerial level and that a Preparatory Committee had been established to prepare for that session. The Consultative Group of Eighteen, which was the sole organ in the GATT where agriculture could be dealt with in a general and global manner, had been called on to make its contribution for the preparation of the Ministerial session. The Group had before it document CG.18/W/59/Rev.1, which had been prepared by the secretariat in the light of the discussion of the last meeting of the Group in October. The Chairman noted that paragraph 112 of the document set out the areas where agriculture is different as regards the text and spirit of the General Agreement. He also noted that paragraph 114 mentioned that problems of observance, interpretation and transparency existed as well in the industrial sector. He felt that the five points included in paragraph 112 provided sufficient matter for the Group to pursue the debate started at its previous session, keeping in mind the task before it of contributing towards the Ministerial session.

43. Some members pointed out that the livelihood of their countries, depended on the prices and market access they obtained for their agricultural exports. The international market was however distorted by protectionist measures of various types that could be classified as import restrictions or export subsidies or measures with similar effects. The Ministers would have to address these problems and issue appropriate guidelines. One member stated that there had to be a dynamic stability and transparency of the international agricultural market in the coming decade. He and other members called for the full respect of rules, generally applied, universally accepted and rigorously interpreted in the same way for all.

44. One member considered that the fundamental question to be addressed now was the institutional vacuum in the GATT to deal with agriculture. His country would much prefer to have a more formal body than the Consultative Group of Eighteen, as had existed in the past. Several other members endorsed the need to establish an agricultural group. However, some members, although open-minded on the idea, stated that further consultations were necessary before taking any decision on the matter.

45. One member, referring to paragraph 114 of the secretariat document, wondered whether the treatment of agriculture was really exceptional relative to the General Agreement or, to the contrary, whether industrial trade was the exception and agriculture the rule. He suggested that the reasons which had led the drafters of the GATT, over thirty years ago, to write therein special conditions for agriculture were still valid today, as those reasons reflected, then and now, internal agricultural policies of vital interest to all, especially developing countries. He suggested that the secretariat should go into further detail on this aspect in preparation for the Ministerial session. This member also expressed the view that before re-writing codes and treaties, or filling institutional holes, all contracting parties should do the maximum to apply the rules and codes already in place; for example, improving the level of bindings, signing the codes, and lowering high tariff duties. Such action would make for more equality, transparency and efficiency.

46. One member stated that the end result of all coming activity in the GATT should be the more precise delineation of obligations of contracting parties in relation to agriculture and the improvement in trading opportunities for agricultural exporters. In order to further the Group's understanding, he felt it would be fruitful for the secretariat to furnish background information on the extent and nature of commitments negotiated by contracting parties, including the techniques used in the past for negotiation on agricultural problems.

47. Another member supported this proposal to examine what had been done on agriculture in the past. He felt that the Ministerial session should be concerned with areas which were not dealt with or which were dealt with only partially, rather than areas for which there existed already rules or codes. The areas which had not been dealt with adequately, in his view, were: long-term contracts, agricultural credits, mixed sales (i.e. sales with commercial and concessional elements), State-trading boards, price transparency (especially in centrally-planned economies). These problems required more attention, he felt, than subsidies, for which rules and notifying procedures already existed. The member also suggested that the Ministerial session consider the usefulness of international commodity agreements as well as the situation regarding exports from developing countries.

48. One member stated that it was fairly clear that over the last quarter century there had been accommodations made by all countries for agriculture, irrespective of whether this accommodation was more or less than that made for industry. He suggested that the Group look at three issues with urgency: export assistance, increasing restrictions on market access, and domestic agricultural policies. He stated that the first two issues were in part a function of the latter and that there were limits on how far GATT could be used to harmonize domestic policies.

49. One member pointed to the concerns about food security and the political power of agricultural interests as reasons why special policies have arisen for agriculture and why the doctrine of comparative advantage had not been accepted in agriculture. He thought it hard to justify export subsidies on agricultural products on the grounds of internal food security, however, and stated that no country could afford subsidies on the present scale. An agricultural policy group should be formed to ascertain what contracting parties were doing, especially on this issue, and how to do it more in consonance with the ideas they try to uphold in the GATT, recognizing, however, the political constraints under which countries are operating.

50. One member stated that, among other problems, the Ministers should review the outcome and effective implementation of actions taken under Article XXII or XXIII:2, in other words, the state of law enforcement in the GATT.

51. One member referred to the danger of the GATT treating too many sectors separately as specific, as was already the case for textiles. He felt that the five points in paragraph 112 of the secretariat paper could serve as a basis for a draft agenda on agriculture in the Ministerial session. Problems relating to trade barriers and subsidies were included within these points. In addition, he and other members stated that tariff escalation would be of interest to their countries. Another member pointed out that the five points were not of the same nature and had to be assessed in terms of their impact on trade.

52. In summing up the discussion, the Chairman stated that for the next meeting of the Group, the secretariat, under its own responsibility, would submit a document which, drawing from the five points in paragraph 112 of the document CG.18/W/59/Rev.1, would analyse the functioning of international co-operation as regards the following three areas which had been identified:

- (i) problems and measures relating to market access;
- (ii) problems and measures relating to competition;
- (iii) the impact of domestic agricultural policies on market access and competition.

Such an analysis would take into account the GATT rules and also what had been negotiated in the past within the GATT. The secretariat was ready to expand the scope of this study to the possibilities for improving or reinforcing the level of co-operation in the agricultural sector.

Item 4. Other business

53. It was agreed that the Group's next meeting should be held on 4-7 May 1982.