

# GENERAL AGREEMENT ON

RESTRICTED

## TARIFFS AND TRADE

SR.46/2

1 February 1991

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CONTRACTING PARTIES  
Forty-Sixth Session

### SUMMARY RECORD OF THE SECOND MEETING

Held at the Centre William Rappard, Geneva  
on Thursday, 13 December 1990, at 10.15 a.m.

Chairman: Mr. John M. Weekes (Canada)

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#### Report of the Council (L/6766 and Add.1) (continued)

Point 28. Administrative and financial matters  
- Committee on Budget, Finance and Administration

#### Sub-point 28(a). Reports

The CHAIRMAN drew attention to the Council's recommendation that the CONTRACTING PARTIES adopt the report of the Committee in L/6733, including the recommendations contained therein.

The CONTRACTING PARTIES adopted the report of the Committee (L/6733), including the recommendations contained therein.

#### Sub-point 28(b)(i) Office of Director-General - Renewal of appointment

The CHAIRMAN drew attention to the Council's recommendation that the CONTRACTING PARTIES extend the Director-General's contract for a final period of fifteen months, i.e., up to the end of 1992.

The CONTRACTING PARTIES so agreed.

Sub-points 28(b)(ii) and 27(c)(ii). Offices of Director-General and Deputy Director-General - Procedures for future appointment

The CHAIRMAN recalled that at its meeting on 14 and 29 June, held at the level of heads of contracting party delegations, the Council had requested that he initiate consultations on the need for strengthening and improving the rules and procedures for the selection of the senior officials concerned, and report on progress thereon to the CONTRACTING PARTIES at the present Session. He said that it had been possible for him only to begin considering how to proceed with consultations; a great deal of attention had been focused on preparing for the recent Ministerial meeting of the Uruguay Round Trade Negotiations Committee in Brussels, and it had not seemed appropriate at the time to organize any consultations in this regard. Accordingly, he suggested that the CONTRACTING PARTIES agree to ask their new Chairman -- his successor -- to pursue this matter in the coming year and report to the Council accordingly.

The CONTRACTING PARTIES so agreed.

Salaries and pensions

The CHAIRMAN drew attention to the matter of GATT's future policy in respect of compensating its professional officials. He was seriously concerned that the kind of professionals which GATT had attracted in the past might not in the future agree to work for the compensation presently offered to them, at least not for very long. Over the next year or so there would be important changes which would have an impact on the Secretariat and on the GATT. The conclusion of the Uruguay Round would add to the responsibilities of the Secretariat. There would be new challenges and new opportunities. At the same time, the CONTRACTING PARTIES would lose to retirement a half dozen or so of GATT's most senior and most able professionals. One should ensure that the process of renewal, soon to be engaged in in the Secretariat, would serve the CONTRACTING PARTIES well over the coming years. To make this process effective, remuneration and conditions of service would have to be such as would both attract and keep high quality personnel. He was concerned that the GATT was not providing such conditions at the present time. The GATT had always had a relatively small but efficient and competent Secretariat, and, in his view, that tradition should continue. One had to be prepared, however, to pay the necessary price for efficiency and competence.

One could not expect to deal with this matter at the present Session. Indeed, he would only suggest that the CONTRACTING PARTIES take note of his remarks and that the Council take up this matter in the coming year. But in the very near future, namely in the next few months, individual contracting parties would have to come to grips with this serious problem, irrespective of any eventual restructuring of the GATT or the founding of a successor organization. If action were not taken timely, the successors of the present contracting party delegations and their governments would look back and blame them for having failed to perceive the signals and for not having acted in time. He asked each participant in his or her personal

capacity to reflect on his remarks, and as CONTRACTING PARTIES, to agree that the Council take up this matter<sup>1</sup> in the coming year and take note of his remarks at the present meeting.

The CONTRACTING PARTIES so agreed.

Point 25. Communication from the United States concerning the relationship of internationally-recognized labour standards to international trade

Mr. Stoler (United States) reiterated his Government's request that a working party be established to examine the possible relationship between internationally-recognized labour standards and trade. This proposal had been pending before the CONTRACTING PARTIES for over three years, and the United States believed it was high time for action.

The United States, and quite a number of other contracting parties, viewed this issue as being well within the deliberative competence of the GATT. He reiterated that the United States would reject any efforts to use this issue to protectionist ends.

If other contracting parties continued to have reservations, the United States stood prepared to deal with them in drawing up terms of reference for the working party. He noted that at the October Council meeting, a narrowing of the proposed terms of reference had been offered in an effort to meet a number of the concerns which had been voiced. However, while flexible on terms of reference, the United States was steadfast in its determination to secure the formation of a working party on this issue. One of the key strengths of the GATT was the tradition of the contracting parties to view their deliberative competence broadly and to grant requests to establish working parties. He recalled that the United States had shown flexibility and had accepted, as a matter of principle, the establishment of working parties where it had had doubts about the GATT relevance of the issue involved. However, the United States would not accept a double standard whereby its request went unanswered while other delegations expected positive consideration of their requests.

Mr. Beck (European Communities) supported the request for a working party and reiterated the Community's position on this matter, namely that a working party was a legitimate instrument for examining issues of genuine concern to a particular contracting party.

Mr. Zutshi (India) recalled that at the October Council meeting, the points raised by the United States and other delegations which had supported its proposal had been discussed at some length. India's views on the issue of GATT relevance and on whether all issues of concern to contracting parties, whether trade related or not, could be discussed in this forum, were already on record. India continued to have reservations regarding the establishment of a working party on this issue.

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<sup>1</sup>The text of the Chairman's statement was later circulated in W.46/10.

Mr. Morales (Chile) said that all issues relating to internationally-recognized labour standards fell within the exclusive competence of the ILO. Chile would have no difficulty in dealing with this problem in that body, thus leaving the GATT to deal with issues within its exclusive competence.

Mrs. Escaler (Philippines), speaking on behalf of the ASEAN contracting parties, said that while they did not question the right of a contracting party to request establishment of a working party on matters which it felt were relevant to GATT's mandate, it was equally the right of other contracting parties to question the GATT relevance of such a request. She reiterated ASEAN's view that the issue of labour standards was a subject not in GATT's mandate, and that ASEAN would therefore also have serious reservations about the establishment of a working party.

Point 1. Work Program resulting from the 1982 Ministerial meeting  
(continued)

Sub-point 1(c). Export of Domestically Prohibited Goods and Other Hazardous Substances<sup>2</sup>

Mr. Udoh (Nigeria) said that he wished to place on record Nigeria's appreciation to the Chairman of the Working Group on Export of Domestically Prohibited Goods and Other Hazardous Substances, who had worked hard to ensure that the Group would have a report to present to the present session. He recalled that the Working Group had been established in July 1989. Since then, there had been a number of meetings and it had been agreed that a report should be presented to the present Session. Unfortunately there had been no consensus for a draft agreement to be presented, following reservations thereon by one contracting party. He said that the Group had been unable to reach its original objectives because all the members of the Group had had to give in to the demands of this one delegation, in spite of which that delegation continued to object to the draft agreement. Nigeria was greatly disappointed, and called on others to request the delegation concerned to drop its objections so that consensus on the draft agreement could be reached within the next three-month extension of the mandate of the Working Group.

Point 15. Poland - Renegotiation of terms of accession

The CHAIRMAN said that contracting parties intending to submit questions on Poland's Foreign Trade Memorandum should do so without delay, as the date of 2 October 1990 by which time all such submissions should have been received, was now well past.

Point 23. Union of Soviet Socialist Republics - Ongoing economic reforms

The CHAIRMAN said that he understood from the USSR observer that his delegation intended to make a statement on this matter at one of the

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<sup>2</sup>See also SR.46/1, page 10.

Council meetings early in 1991. Information had recently been submitted by the USSR in this connection (L/6787).

The CONTRACTING PARTIES then took note of all the statements made under this Agenda item and adopted the Council's report (L/6766 and Add.1) as a whole.

Salle Eric Wyndham White

The CHAIRMAN drew attention to his proposal that the CONTRACTING PARTIES mark the contribution of their first Director-General, the late Sir Eric Wyndham White. As indicated in document W.46/4, he proposed that the CONTRACTING PARTIES agree that the principal conference room in the Centre William Rappard, theretofore known as the Council Room, should henceforth be known as the "Salle Eric Wyndham White". The Director-General and the Chairman of the CONTRACTING PARTIES would be requested to make appropriate arrangements to this effect.

The CONTRACTING PARTIES so agreed.

Trade and Environmental Policies

Mr. Ramsauer (Switzerland), speaking on behalf of the EFTA countries, recalled the initiative which they had recently taken in the framework of the Uruguay Round. He said that environmental issues were of growing importance, and most contracting parties had adopted national policies to protect the environment and to preserve natural resources. The environment provided the necessary basis for life and health, and for sustainable economic and social development. In this context, international cooperation on environmental issues with global implications was important and needed to be intensified. Environmental policy measures could have trade effects, and trade and environmental policies had to be mutually supportive; every effort should be made to increase their combined effectiveness. For these reasons, the EFTA countries believed that it was important and urgent for contracting parties to gain a better understanding of the interrelationship between environmental policies and GATT rules in order to establish coherent multilateral cooperation in this field. Switzerland and the other EFTA countries were reflecting on concrete steps leading in this direction and might put forward some proposals at a meeting of the Council.

Mr. Henrikson (Sweden), speaking on behalf of the Nordic countries, recalled that at the Uruguay Round Ministerial Meeting in Brussels the previous week, the EFTA countries had circulated a proposal for a statement by ministers on trade and environment (MTN/TNC/W/47). Strong support for this proposal had been received from a number of countries, which had agreed that it was time for GATT to address the interlinkages between trade and environmental policies. Some doubts had also been voiced, however, whether enough time had been allowed to study the suggestions. Admittedly there was merit in that observation, but the EFTA proposal had not been intended to evoke a decision in Brussels but only to provide ministerial

impetus to discussions that should take place before any decision could be taken. The Nordic countries intended to continue pursuing the ideas put forward in Brussels. They saw this as an important rules issue and appropriate for treatment in the GATT.

It was well established that environmental policies could have trade implications and vice versa. Within the Uruguay Round, such issues had directly or indirectly been touched upon in several areas of the negotiations, but the understanding of the links between trade and environment policies was still very incomplete, and therefore needed to be developed further. This was a fairly urgent issue. In the trade policy field there existed a well-developed multilateral framework of binding obligations, but the rapid developments in the environmental field raised the question whether present multilateral trade rules could provide sufficient guidance to environmental policy makers or whether there was not, in fact, an important potential for trade friction. It was in the interest of both trade policy and environment policy makers that clearer rules be formulated, both to avoid situations where the GATT dispute settlement system was asked to tackle issues for which it was not yet fully equipped and in order to avoid such disputes in the first place.

Many types of environmental measures related to products were well covered by Articles XX:b and XX:g. But the use of new types of instruments, the increasing scope and impact of the environmental rules, and the wide differences among countries' policies in this area suggested that this might not be sufficient. It was safe to predict that environmental issues, which had gained prominence during the latter half of the Eighties, would remain in focus during the coming decade as well. Together with the other EFTA countries, the Nordic countries believed that it was high time to initiate a GATT dialogue on these issues and hoped that this would be possible during the forthcoming meetings of the Council.

Mr. Reiterer (Austria) said that in following up on the recent EFTA initiative in Brussels, Austria wished to underline that environmental issues had gained importance worldwide. So had the awareness and cooperation of the international community in various international fora in order to preserve, protect, or, when necessary, to heal the environment. The forthcoming 1992 United Nations Conference on Environment and Development in Brazil was an expression of this growing awareness. It reflected the fact that a sound environment provided the necessary basis for life and health as well as for sustainable economic and social development. Austria supported the idea that GATT should associate itself with the preparatory work of this Conference.

Although the interaction between the economy in general and the environment was evident, the implications of this relationship with the multilateral framework of rules governing international trade had not yet been studied fully. In the course of the Uruguay Round negotiations, Austria had repeatedly stressed in various negotiating groups that the environmental repercussions of the rules under consideration had to be taken into account. Austria was convinced that GATT, as an institution, would have to become more involved in environmental issues, especially in rule making. One of GATT's tasks was to provide a legal framework for

international economic transactions so as to prevent disputes from arising, and if they arose, to provide the framework for resolving them in a multilateral setting. It was therefore in the contracting parties' common interest that time and effort be devoted in a timely manner in order first to enhance their understanding of the interaction of environmental policies and the rules of the multilateral trading system, and second, to take appropriate action based on this insight. GATT should be part of the effort to establish a harmonious partnership between trade and the environment, based on policies which were mutually supportive and therefore greater in their effectiveness.

Austria therefore fully supported the statements made by other EFTA countries and intended to propose that the Council take up this issue as quickly and expeditiously as possible.

Mr. Beck (European Communities) said that the Community and its member States were ready to initiate this type of dialogue and to go into greater detail on the issue of the environment. It was noteworthy that in 1986 when the Uruguay Round had been launched in Punta del Este, the full magnitude of the environmental issue had not been taken into consideration. Subsequently, in the course of the negotiations, this aspect had taken greater prominence in two areas, namely sanitary and phyto-sanitary measures in the agriculture negotiations, and subsidies. Because of this and given the general current of public opinion in the Community, which was increasingly highlighting this problem, it was quite clear that trade would no longer be able to ignore environmental aspects.

The environment was not just agriculture and fertilizers, nor was it simply industrial production; aspects of services and intellectual property were also concerned. It was a global problem which would have to be tackled squarely. Four elements of the environment had to be kept in constant balance: first, natural resources available to mankind -- excessive exploitation of these resources would certainly give rise to problems; second, production; third, consumption; and fourth, life itself.

The effects of the environment on trade, and vice versa, had been mentioned; that, however, was not the only confines of this problem. Indeed, one should not look at the environment solely from a defensive angle; even the GATT did not have the tools to do so. At the end of the Uruguay Round one could see how the new institutional structure which would emerge therefrom should enable the environmental aspects to be taken into consideration. One aspect should already be tackled, namely that the environmental issue, if not taken into consideration in time, might create a further gap between the industrialized countries and the developing countries. That was the main point to be highlighted now: attention should be given to this problem in a global approach which would enable all the participants of this institution -- all the countries on this planet -- to manage their resources adequately so as to avoid any further distortion than that which had already been created by trade or economic policies. It was too late to try to solve the problem in the Uruguay Round, as one could not at the present stage create a mechanism commensurate with the problem. It was necessary to ensure that at the end of the Uruguay Round, this problem was tackled in the future.

Mr. Morales (Chile) said that his delegation had noted Switzerland's proposal. This topic was very important, but it should be kept in mind that very serious development problems prevented an easy solution. On the other hand, no single aspect should be discriminated or privileged over others. For example, the following were very important: problems created by nuclear tests in the Pacific, which polluted the atmosphere and the oceans with serious damage to human health and deterioration of nature; the question of exports of products, the sale of which was prohibited in the country of origin; indiscriminate whale hunting; the question of toxic wastes, and the deforestation of centuries-old forests. In any case, this question could not be transformed into a new protectionist element to the detriment of developing countries.

Mr. Wright (Canada) said that Canada also recognized that the domestic legislation and policies of contracting parties were increasingly responsive to the objectives of environmental protection and sustainable economic and social development. International cooperation on this issue in other multilateral fora had clearly intensified in efforts to develop both a framework for consultation and agreed obligations with respect to specific environmental objectives. There was no question that in many instances, these environmental objectives and resultant measures might affect international trade. Effort should be made, therefore, to ensure that measures and policies taken in one field were complementary to those adopted in the other. In principle Canada would support an examination of the interlinkages between trade and environmental policy within the framework of the international trading system. In this respect, it would note that the examination should also cover marine issues. Canada hoped that contracting parties could pursue this question early in the coming year.

Mr. Jamal (Tanzania) said that his delegation had followed very closely the concerns of those countries which had expressed themselves on the relationship between environmental issues and trade policies of individual countries as well as on the functioning of the multilateral trading system. Tanzania fully shared those concerns and was gratified that they were increasingly being articulated in such institutions as the GATT. At the same time, Tanzania's view was that the basic imperatives underlying the Uruguay Round had a clear concentration of issues other than environmental implications. The message and purpose underlying the Uruguay Round was yet higher consumption and concurrently higher and more intensive production. Those who had the means at their disposal in terms of technology, capital and market-influencing capacity also sought to derive unrestrictive licence for accelerating and accentuating higher consumption and commensurately more intensive and extensive production; these were the basic contributors to the environmental pollution already empirically demonstrated. Therefore, those who held the commanding heights of these activities globally did not appear so far to have been particularly concerned or impressed by the implications underlying their own demands placed in the Uruguay Round before the international community. Perhaps it was not too late to draw correct lessons and to take action; but if one continued on the present track and insisted on doing so, one should not be surprised to find oneself standing accused by those who followed of having violated prospects for their own future for the sake of a very temporary and perhaps illusory gain for the moment.

Mrs. Escaler (Philippines), speaking on behalf of the ASEAN contracting parties, said that they had some major concerns about the issue of trade and the environment and had specific recommendations to make in relation to the proposal put forth by the EFTA countries. They would state their position on this issue when it was formally tabled and discussed at a future Council meeting.

Mr. Zutshi (India) said that his Government was very much interested in environmental issues and had put forward its views in other fora when the issue was not as fashionable as it had now become. It would be necessary to look at the proposals that would be placed before the Council for consideration by contracting parties and see whether GATT was the right forum for the study thereof, as the environment issue was being studied in other fora.

Mr. Udoh (Nigeria) supported inclusion of the protection of the environment in the work programme of the GATT. Nigeria recognized this as a global issue that should concern every contracting party. As Chile had said, any work on the relationship between trade and the protection of the environment should be based on non-discrimination. It was his delegation's view that the draft agreement before the Working Group on Export of Domestically Prohibited Goods could be a modest beginning in this regard.

The CONTRACTING PARTIES took note of the statements.

Article XXIV:6: Consultations between Argentina and the European Economic Community

The CHAIRMAN recalled that this matter had been put on the Agenda at the request of Argentina.

Mr. Stancanelli (Argentina) said that Argentina wished to inform contracting parties of the compensation for Spain's and Portugal's accession to the European Economic Community pursuant to the provisions of Article XXIV:6. Prior to that accession by those two countries, Argentina had been Spain's main supplier of sorghum and the second supplier of corn. In this respect, the implementation of the Agreement signed between the Community and Argentina in December 1987 had not allowed for adequate compensation due to the loss of Argentina's exports to Spain of maize and sorghum. In the light of these and other circumstances, paragraph 3 of the Agreement stipulated that the parties should hold consultations in 1990 in order to assess what action might be necessary to ensure compliance with its objectives.

To this end, the Community and Argentina had held an initial consultation on 15 November in Geneva, during which Argentina had indicated its main sources of concern. Subsequently, in a note to the Commission in Geneva dated 30 November, Argentina's permanent representative had given details underlying these concerns, including the continuation of imports of maize with reduced variable levies, and the annual period during which there is a call for bids for the supplies of these cereals. Argentina hoped to be able to continue consultations as soon as possible with the

Community, in order to find a solution satisfactory to both parties, and reserved its right to have recourse to the provisions of Article XXIII should that become necessary.

Mr. Beck (European Communities) said that the Community had taken note of Argentina's statement, and confirmed that consultations had been in progress and would continue.

The CONTRACTING PARTIES took note of the statements.

#### Accession of El Salvador (continued)

The CHAIRMAN said that El Salvador might not be able to gather the necessary number of votes with regard to the Decision on its accession before the close of the Session. Should that prove to be the case, he suggested that the CONTRACTING PARTIES agree to extend the time-limit for the voting to 31 January 1991.<sup>3</sup>

The CONTRACTING PARTIES so agreed.

#### Activities of GATT (continued)

##### - Action on reports submitted to the CONTRACTING PARTIES

The CONTRACTING PARTIES adopted the report of the Committee on Trade and Development (L/6744) and took note of the reports of the MTN Committees and Councils (L/6767, L/6726, L/6746, L/6743 (including the Decision communicated during the Session, see SR.46/1, page 4), L/6740, L/6768, L/6764, L/6762 and L/6761).

#### Dates of the Forty-Seventh Session

The CONTRACTING PARTIES agreed that the Forty-Seventh Session would be held in the week starting Monday, 2 December 1991, bearing in mind the possibility for the Chairman of the CONTRACTING PARTIES, in consultation with delegations, to fix the dates and the duration of the Session with greater precision in the course of 1991, and even to modify the dates if circumstances made this desirable.

#### Election of Officers

The following nominations were made:

Chairman of the CONTRACTING PARTIES:

Mr. Rubens Ricupero  
(Brazil)

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<sup>3</sup>The necessary votes were gathered before the end of the Session. The Decision was later circulated in L/6794.

Vice-Chairmen of the CONTRACTING PARTIES:

Mr. El Chali Benhima  
(Morocco)

Mr. Fredo Dannenbring  
(Germany)

Mr. David Howes  
(Australia)

Chairman of the Council of Representatives:

Mr. Lars E.R. Anell  
(Sweden)

Chairperson of the Committee on Trade and  
Development:

Mrs. Narcisa L. Escaler  
(Philippines)

The CONTRACTING PARTIES elected the officers nominated.

Closure of the Session

The Session closed at 12 noon.