

GENERAL AGREEMENT ON TARIFFS AND TRADE

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MINUTES OF MEETING

Held in the Centre William Rappard on 13 May 1993

Chairman: Mr. A. Szepesi (Hungary)

Overview of Developments in International Trade and the Trading System

1. Pursuant to the Decision taken by the CONTRACTING PARTIES on 12 April 1989 (BISD 36S/403), the Council held a special meeting on 13 May 1993 to conduct an overview of developments in international trade and the trading system. The discussion was assisted by the Annual Report of the Director-General (C/RM/OV/4), reviewing recent trends in world trade and trade policies, and setting out major GATT activities for the period January 1992 through April 1993.
2. The Chairman opened the meeting by reminding delegations that the Annual Report of the Director-General was primarily intended to assist delegations in putting forward their own views on the trading system and in facilitating exchanges among members. Representatives who wished to draw attention to significant points of information in the document were invited to communicate these to the Secretariat in writing after the meeting.
3. In his introductory remarks, the Director-General noted the unprecedented level of activity in the GATT itself, even as the attention of policy makers has been focused primarily on efforts to conclude the Uruguay Round. This was in contrast to previous GATT rounds, when GATT's regular work had diminished sharply. One important reason was the increase in membership in recent years. There were 110 contracting parties as of the date of the meeting, seven more than at the beginning of 1992, and eighteen more than when the Round began in 1986. While the general motives for joining the GATT had not changed, a number of countries had chosen to join GATT in order to qualify for active participation in the Uruguay Round, a negotiation which was having a major influence on their economic prospects. These countries were in the forefront of those who rejected the claim that the Uruguay Round was losing its relevance just because it was taking longer than expected to bring it to a successful conclusion.
4. Another example of the high level of activity in the GATT was the seventeen trade policy reviews carried out in 1992 and the first four months of 1993. The decision to establish the Trade Policy Review Mechanism was among the first tangible results of the Round. The reviews had become a major GATT activity and had evolved positively with the experience gained. National administrations had found the process helpful in assessing the overall structure and impact of their own trade policies, while at the same time reviews of trading partners provided information on the conditions of competition and of market access. In both ways, the mechanism had succeeded in underscoring the need to ensure

coherence between national trade policy making and an open, liberal rule-oriented multilateral trading system. It was a particularly encouraging sign that even with the Uruguay Round not concluded, governments were actively exploring ways to make the process more streamlined and effective.

5. There was also an increased emphasis in GATT on trade and environment. The UN's Conference on Environment and Development was an important factor in stimulating GATT's work in this area, and the Group on Environmental Measures and International Trade had held nine meetings since January 1992. By examining matters raised in the context of trade and environment, and in particular the promotion of sustainable development, the contracting parties were responding to the need to make trade and environment policies mutually supportive. At the end of 1993, the Council's review of the follow-up to UNCED in GATT would provide further guidance for GATT's evolving role in this increasingly important and volatile area of multilateral cooperation.

6. There was a sharp increase in the number of regional trade agreements notified to the GATT and seven working parties had been established during the period under review. The special topic for the GATT's annual report on International Trade for 1992-93 was the relationship between regionalism and multilateralism. The relatively small size of many national markets made it imperative for many contracting parties to intensify regional and sub-regional integration efforts, and it had consequently become even more necessary to ensure that arrangements were compatible with the broader goal of pursuing multilateral reductions in trade barriers.

7. The extensive use which countries were making of the existing GATT, despite its current weaknesses and shortcomings, supported the view that the GATT system remained the only multilaterally acceptable yardstick for judging national behaviour in the area of trade relations. The Uruguay Round was the vehicle for strengthening and renewing the system, and its success was therefore a very important factor for the GATT's future. If GATT were to wither away, governments would have no option but to re-invent it, but with much less chance of success. In this sense, it was the Uruguay Round that served the GATT and not the reverse.

8. Perhaps the most compelling example of the faith countries had placed in the principles underlying the GATT was the wave of autonomous trade liberalization in all parts of the world since the launching of the Uruguay Round. A number of important new initiatives had also been taken in 1992. While it was not possible to compare one initiative with another because the starting point for the reform process was never the same, significant steps had been taken by many of the republics of the former USSR to join the countries in Central and Eastern Europe in the transition to market economies. Numerous countries had lowered tariff and non-tariff barriers on an autonomous basis, thereby resisting the temptation to postpone the process of trade liberalization to preserve bargaining chips for the Round.

9. Autonomous trade liberalization benefited the country undertaking reform, but also created opportunities and challenges for trading partners. For example, the highest growth in imports among the regions in 1992 had been reported for Latin America, and last year was also the second consecutive year in which Western Europe's exports to Central and Eastern Europe rose faster than imports from that region. However, the removal of trade barriers was accompanied, sooner or later, by an expansion of production for export as resources moved to more efficient industries. This posed a challenge for trade partners: in order for the reform effort to continue to move forward and backsliding prevented, the market access opportunities for the exports of the reforming countries needed to be preserved and enlarged.

10. The liberalization efforts under way were also contributing to the breakdown of the traditional postwar groupings of countries into "North/South" or "East/West". Countries which a few years ago had received attention only in discussions of debt problems were now dynamic centres of trade growth. More than a few countries in the "third world" had per capita incomes similar to some in the "first

world". The multilateral trading system had been a key factor behind these changes. To the extent that the trading system had been kept open and liberal, rather than closed and "managed," growth and change had gone hand-in-hand. The challenge was to keep the process moving forward when conditions were tough.

11. Increasing numbers of people viewed the difficulties governments were having in bringing the Uruguay Round to a successful conclusion as evidence that the world trading system, as embodied in the GATT, was in a state of crisis. This was true to the extent that the GATT system had weaknesses which needed immediate remedies. The system also needed strengthening and up-dating to bring it in line with the changing realities and challenges of the international market-place.

12. One indication of the unresolved tensions in the system was the growing number of bilateral disputes. Here, the problem was not with the dispute settlement procedures themselves; when they had been used, they had generally worked well. However, the persistent concerns regarding the full implementation of panel recommendations and the resort to unilateral measures and counter-measures outside the framework of the existing rules demonstrated the scope which existed for improving the overall effectiveness of the GATT dispute settlement procedures. The growing number of disputes regarding anti-dumping and countervailing actions also suggested the time was ripe for a clarification of the rules in these areas. As for the disputes between countries on the new issues of intellectual property and trade in services, the significant trade implications of these disputes indicated the urgent need for a multilaterally agreed framework for rules in those areas. All this was only possible if governments were willing to accept multilateral disciplines and summon the political courage this often required on the domestic front. While this involved yielding some sovereignty, it was more than compensated by the increased predictability of trade policies everywhere when this was done collectively.

13. The state of the world economy was of concern. The recovery of world trade and output growth in 1992, centred in Asia, Latin America and North America, masked important areas of depressed or declining economic activity, especially in Western Europe and Japan. The key role trade had played in mitigating the effects of slow growth and recession on output and employment had been possible because the trading rules had helped the world community contain the inevitable increase in protectionist pressures which had accompanied the slowdown in growth. Although a continuation of the recovery of world trade and output in 1993 was expected, there were many uncertainties to contend with. There was also a perception that much of the risk was on the downside, which could increase sharply if trade disputes were permitted to escalate.

14. Summing up, the challenge of successfully concluding the Uruguay Round negotiations placed the GATT system at an historic crossing point. The re-orientation of economic policy to the market on a worldwide scale and the blurring of the lines traditionally dividing nations by gains in per capita incomes, made the realisation of the aim of GATT's founding fathers of a truly global trade and economic system possible. If this aim was to be fully realized, the existing system needed to be strengthened, particularly by reinforcement in the traditional areas and by extending the disciplines to other areas to deal with new exigencies.

15. In the Council's subsequent discussion, the Director-General's Annual Report and introductory remarks were generally welcomed as a valuable input.

16. The representative of Norway, speaking on behalf of the Nordic countries, noted the mixed picture of the situation of and outlook for world trade. A promising aspect was the fact that growth of many non-OECD countries had partly counterbalanced the weaker growth in OECD countries, which also demonstrated the increasing globalization of trading opportunities, and thus the importance of the international trading system. At a time when the focus of the public was increasingly on the relations between a few partners, it had to be kept in mind that the longer-term developments of world trade

concerned all countries.

17. The new members and observers, and the thirteen working parties considering accession requests, underlined the attraction and importance of the multilateral trading system. The sharp rise in regional trading agreements could also be viewed as a positive development to the extent that these were in full conformity with GATT obligations. The activity which had been undertaken in the field of trade and environment was welcome, and GATT would play a central role in clarifying a number of complex issues in this field in the future.

18. The sharp increase in the number of anti-dumping and countervailing actions during 1992 was a concern. The group of countries initiating such actions had been enlarged. The increase in such actions had taken place at a time of slower economic activity, when the pressure for protectionist actions normally grew stronger, and pointed to the risk of these instruments being used for the wrong reasons. This risk indicated the importance of such actions being taken with the strictest adherence to GATT rules.

19. There was a potential downside risk for the world economy in an escalation of the conflicts between the major trading nations, as well as in an increasing trend towards unilateralism. The positive signs in the relations between the major trading nations augured well for the Uruguay Round. While the completion of the Round would not eliminate all problems, it would constitute the most concrete confidence-building signal that governments could send in order to strengthen the world economy and improve international relations.

20. The representative of Hong Kong noted the risks and uncertainties which were threatening the prospects of continued growth in world trade and undermining the foundations of the multilateral trading system. Concluding the Uruguay Round was no doubt the most important task facing the contracting parties, and every delegation, large or small, would make extraordinary efforts in the final phase of the negotiations. Among the other elements contributing to the uncertainty affecting trade relations was the increasing use of anti-dumping actions. The situation would have been even more alarming if the data on initiations in the second half of 1992 had been included, but these data were not complete because some parties to the Agreements had failed to abide by their notification requirements in a timely fashion. A rough analysis of the initiations of investigations by the four main users indicated that only about 20 to 50 per cent had resulted in the imposition of definitive measures. It was clear the time had come for the GATT to examine much more fully and critically all anti-dumping actions, commencing from the time an investigation was initiated, and his delegation would pursue the matter further in the Committee on Anti-Dumping Practices. If left unchecked, the ever-increasing use of anti-dumping actions would become the most destabilising force affecting the multilateral trading system, before and after the conclusion of the Round.

21. The growing interest in regional economic integration was evident from the 18 new regional trade agreements notified to the CONTRACTING PARTIES during the period under review. The conformity of such agreements with the GATT was the subject of examination by the working parties established for this purpose, and there was a need to improve the effectiveness of the examination of regional agreements in GATT. The Council should follow up more actively the call made by the Chairman at the Forty-Eighth Session of the CONTRACTING PARTIES in December 1992 for a substantial review of the way in which working parties fulfilled their remits, especially to ensure that the results of their efforts were both clear and meaningful.

22. The Trade Policy Review Mechanism had become an integral part not only of the multilateral system but also of the internal trade policy review mechanism in many economies. As the process moved towards second-time reviews, a better understanding and a greater transparency of the trade policies practised by parties under review could be anticipated and, most importantly, changes to those trade

policies which would address the concerns expressed by trading partners during the reviews. It was the latter aspect which would make a positive contribution to world trade.

23. A credible and effective multilateral trading system required a credible and effective dispute settlement mechanism. The delay in implementing recommendations made by panels and adopted by the contracting parties was a matter of concern not just to the parties directly affected but to all other parties who looked to the GATT as the only forum for settling trade disputes. There was no shortage of public commitments to the multilateral trading system at the highest political level in many capitals, but such commitments had, at a practical level, to include respect for the outcomes of the GATT dispute settlement mechanism.

24. In Appendix Table 4B of the Annual Report, Hong Kong was listed as one of the importers affected by export restraints unilaterally imposed by the Republic of Korea. His Government had no knowledge of and certainly no involvement in such restraints, and would not be a party to any such arrangement.

25. The representative of India noted that 1992 was the second consecutive year in which world trade growth was strong relative to world output growth, demonstrating the important role that trade played in the international economic environment. A number of "non-traditional" countries in Asia, Latin America and the Middle East had made important contributions to the expansion of world trade, underlining the crucial role of an open and non-discriminatory multilateral trading system in the global economy. Other positive developments included the increasing interest being shown by countries in the GATT, and the active use of GATT dispute settlement procedures. The latter was a demonstration of the faith that contracting parties had in the multilateral disciplines that existed in this area, but if the concerns regarding the effectiveness of the dispute settlement mechanism were not checked in time, the multilateral trading system would come under severe strain. Although the failure to conclude the Uruguay Round was a concern, its conclusion would not prove a panacea to all problems affecting international trade, and it was to be hoped that the Round would come to a conclusion in 1993 with balanced and equitable results for all.

26. Regional trading arrangements could be trade-creating or trade-diverting depending on the context and the circumstances. One effect of the proliferation of such arrangements was that even governments who did not necessarily believe in such arrangements were moving towards them. This was cause for unease since, at the very least, such arrangements were a departure from the MFN principle. It was necessary to ensure that such arrangements were consistent with GATT rules, and there was an imperative need to improve the effectiveness of the examination of regional arrangements in GATT. The Chairman of the Working Party on the Canada-United States Free Trade Agreement had referred to the fact that over 50 working parties had not arrived at a definite view on the GATT-consistency of the arrangements examined, which raised fundamental questions about the utility of such examinations. The time was ripe for conducting an in-depth examination and a thorough review of the way in which working parties fulfilled their remits.

27. Trade in textiles and clothing was far from free and was subject to a high degree of quantitative restrictions. The Arrangement Regarding International Trade in Textiles (BISD 21S/3) or MultiFibre Arrangement, which had been extended to the end of 1993, had been in force for over 18 years. It was regrettable that the objectives that it had set out to achieve, namely, the reduction of barriers and progressive liberalisation of world trade in textiles and clothing, had not yet been attained. The fact that MFA restraints were exclusively applied to products from developing countries was a telling commentary on the discriminatory nature of the restrictions that developing countries' exports faced in the crucial area of textiles and clothing.

28. The representative of Japan noted the rapid increase in the membership of GATT and the

numerous countries requesting accession or observer status. The increasingly global nature of the GATT as an institution was welcome, and made it all the more important that the contracting parties renew their efforts to uphold and further strengthen the open, liberal and multilateral trading principles of the GATT by an early and successful conclusion of the Uruguay Round.

29. The sharp increase in the number of anti-dumping actions was a concern. Because the initiation of an investigation had a significant distorting effect on trade, the investigating country had a special responsibility to abide by the rules of the GATT and the relevant agreements, throughout the entire process of investigation. His delegation strongly agreed with the statement that "measures and counter-measures taken unilaterally without the authority of the contracting parties put the multilateral trading system at risk. Actions outside the rules endanger the credibility of the system for settling disputes, and with it the GATT system" (C/RM/OV/4, page 9). The approach to trade referred to as "result-orientated" or "managed-trade" was alien to the principles of free trade and of the market economy. A strengthening of the liberal, multilateral trading rules was needed, not "managing" the international flow of trade and other economic activities.

30. The role of GATT in addressing the issue of trade and environment was of great importance to the world. The Working Group on Environmental Measures and International Trade had been actively at work in a constructive and co-operative spirit. Activities on the UNCED follow-up had been initiated in the Group and in the Committee on Trade and Development, and the Council would have an opportunity to collectively address the follow-up to UNCED in GATT at the end of 1993. It was hoped that as a result of these efforts meaningful steps would be taken to integrate trade and environmental concerns.

31. Japan had recently taken steps to stimulate its economy, which would contribute to the world economic recovery. The "New Package of Economic Recovery" (L/7213) amounted to 13.2 trillion yen (approximately \$116 billion), expanded public investment, including for the improvement of the social infrastructure, and promoted private-sector capital investment through tax reductions and financing at low interest rates. The package was expected to expand domestic demand and contribute to increasing imports. Measures directly aimed at the promotion of imports included (1) government procurement of imported manufactures; (2) tax incentives to promote manufactured imports; (3) improved Generalized System of Preferences for mining and manufactured products; and (4) a reduction in the interest rate for the financing of imports by small and medium-sized businesses and the improvement of lending operations by the Export-Import Bank to foreign firms seeking to export to Japan. In implementing these measures, along with other measures of the package, principles of non-discrimination, transparency and fairness would be applied.

32. The representative of Korea noted the interest in the GATT, evident in its new members, the approaching resumption of China's status as a contracting party, and the interest in observer status among Central and Eastern European countries. This interest was indicative of a widespread acceptance of the merits of a market-based system, as demonstrated by the continuing autonomous liberalization efforts underway in many countries, which also signalled new import and export opportunities and the revitalization of the engines of growth. The trade policy review process was positive and could lead to greater openness, transparency and GATT compliance. The early effort to deal with the important issue of trade and the environment was also positive, and if the contracting parties continued to approach difficult trade policy issues with collective good will, they would provide strong support for world economic growth and stability.

33. The hesitant and localized nature of the recovery of world trade and output in 1992 was of concern. If the recovery was to be sustained, it needed to become deeper and more dynamic. Without a more broadly based recovery, a rise in living standards, employment and income in needy parts of the world could not be expected. Political stability depended upon economic progress which, in turn,

hinged on increased economic interaction among nations. Contracting parties needed to refocus their efforts on trade liberalization, the ultimate guarantor of prosperity.

34. The continued proliferation of anti-dumping and countervailing actions was a concern. Non-OECD countries were increasingly the target of both investigations and often arbitrary actions. Such actions had become tools of industrial policy, and if this trend were not reversed, all trading nations would suffer the consequences through a reduction in trade opportunities. The continued use of grey area measures was also of concern, and the dispute settlement system was fraught with problems. Consultations were on the rise, more panels would soon be established, and if the past was a clue to the future, several more unimplemented panel reports would soon follow. By failing to abide by the obligation to respect the outcomes of the dispute settlement system, the door had been opened for unilateral measures and counter-measures, which were extremely unproductive and threatened the stability of the multilateral trading system. Only one of the reports of the panels established under the dispute settlement procedures of the Agreement on the Implementation of Article VI (BISD 26S/171) or Anti-Dumping Code had been adopted, with the agreement of Korea, in April 1993. The decision to agree to adoption was not due to support for all of the panel's findings, since this was not the case, but due to the desire to support the multilateral dispute settlement system and the wish to see it strengthened further.

35. The marked increase in regional trading arrangements was symptomatic of deficiencies in the multilateral trading system. If international trade liberalization were at the top of everyone's agenda, regionalism would not be so attractive an alternative. Contracting parties should endeavour to resolve the problems in the system through the completion of the Round. Every problem area alluded to in his remarks was covered, to some extent, in the Uruguay Round Draft Final Act (MTN.TNC/W/FA), and the remainder of 1993 represented the true opportunity for completing the Round.

36. The representative of Australia noted the fragility of the world economic recovery. The expansion of trade which could help to counter this had continued to be jeopardised by trade frictions and the collective failure to bring the Uruguay Round to a successful conclusion. Even though the focus of the Round was at present on the resolution of market access issues between the European Communities and the United States, other countries, amongst them the Cairns Group, had key interests which would have to be accommodated in any overall acceptable outcome to the Round. This made it necessary for the negotiations to be brought back to Geneva at an early date, to enable the multilateral negotiations to be concluded by the end of 1993.

37. Numerous autonomous trade liberalisation initiatives were helping to underpin the trend, however fragile, towards global recovery based on open markets, comparative advantage, efficiency and competitiveness. Australia had continued to push ahead with domestic economic and tariff reform, based on his Government's March 1991 Economic Statement. Such efforts were also notable in Asia and Latin America, as well as in some countries in transition to market economies. It was disappointing and of concern that some major contracting parties had done little in this regard and indeed, in some sectors appeared to be retreating into protectionism.

38. There was a continuing tendency to import protection through measures of dubious GATT consistency in certain sectors such as agriculture, textiles, clothing, steel and automobiles. The special treatment of certain sectors, whether through bilaterally agreed or unilaterally imposed restraints on exports or under regional agreements, was a key factor in the increase in trade frictions and the number of issues being referred to consultative, mediative or dispute settlement processes. However, the operation of the GATT dispute settlement system remained less than fully effective, and a number of important panel reports, many of which involved agricultural products, had not been fully implemented. A rapid conclusion to the Round would provide an impetus to the full implementation of panel rulings.

39. Bilateral discriminatory policies or unilaterally imposed restraints or sanctions represented another challenge to the GATT system. The concept and practice of "managed trade" was firmly opposed by Australia, like Japan. "Managed trade" and unilateral "solutions" to domestic, regional or even global sectoral problems were in fact no solution or substitute for a speedy and comprehensive conclusion to the Uruguay Round.

40. Regarding the increasing trend to regionalism, open regional trade agreements could strengthen the multilateral trading system, but there could be negative effects from the more exclusive or inward-looking agreements. While the trend to regionalism was due in part to a desire to proceed with trade liberalisation at a faster pace than the Uruguay Round had been able to deliver, few agreements had given any emphasis to the removal of barriers to third countries as objectives of national policies and it would be unfortunate if they became an additional impediment to the success of future trade Rounds because of the desire to protect preferential market access. GATT scrutiny of regional trade agreements needed to be reinforced and improved in order to ensure that GATT provisions remained a guide to good international behaviour - as was envisaged in the APEC Regional Trade Liberalisation process.

41. Among the positive developments for the GATT was the establishment of the Trade Policy Review Mechanism. The reviews of the past three years had indicated the need for contracting parties to undertake further trade reforms, especially for agricultural products. The growing number of countries seeking accession to GATT was also positive and welcome. The preservation of the integrity of the GATT rules meant that derogations from key GATT obligations should not be expected. The work of the GATT on the important issue of trade and the environment was also a positive sign. There was a challenge to be met in ensuring that solutions were found that would not undermine the effectiveness of GATT disciplines or provide a further loophole for disguised protectionist intent rather than legitimate efforts at the protection of the environment.

42. The representative of Canada noted the positive developments such as the impressive growth of world trade, the obvious popularity of the GATT in attracting new members, the success of the Trade Policy Review Mechanism, the dimension of trade and the continuing trend to autonomous trade liberalization -- to which Canada had also contributed. Regarding trade and environment, he drew attention to the revitalization of the long-dormant Group on Environmental Measures and International Trade. To a large extent, the increasing number of regional trade agreements reflected the attempts at greater economic integration of the countries in transition to market economies. Another positive feature was the continued strong use of the GATT dispute settlement process, a reflection of the improvements introduced in April 1989 (BISD 36S/61).

43. There were, however, several negative elements. The increasing use of anti-dumping and countervailing actions, even if a reflection of the present economic difficulties, was nevertheless worrying. There was also other evidence of protectionism, of unilateralism, and of trade disputes. Both the positive and negative elements that were noted pointed to the need to conclude the Uruguay Round before the end of 1993. It was up to the contracting parties, collectively, to ensure that the essential political will would be present to achieve this goal, and this was the intention of Canada.

44. The representative of Argentina noted the contribution of Latin American countries to the growth of world trade in 1992 in terms of dynamic import growth in both value and volume terms. On the export side, the gap between the value and volume growth rates indicated a terms of trade decline for traders in the region. The decline in the terms of trade was related to the overall economic environment in which international trade was taking place, and presented a challenge in terms of ensuring that the reform process would continue to move forward. Market access was a central issue in the question of maintaining the momentum of reform, and one which was linked to the outcome of the Uruguay Round.

45. Among the concerns of his delegation was the presence of technical barriers to trade, including sanitary standards, which had similar effects to tariff barriers. Another problem was the dispute settlement process, where non-adoption of panel reports and unilateral actions would inevitably lead to a weakening of the overall trade rules. The application of anti-dumping actions, subsidies and countervailing actions was not only increasing in the developed countries, but also in developing countries, and in intermediate economy countries. These practices would continue to jeopardize the overall environment in which international trade is taking place. In this regard, it was useful to recall the anti-dumping and countervailing duties applied to imports of steel by one contracting party. The creativity used in this case, such as the criterion of "best available information", was contrary to the spirit of GATT.

46. The developing countries and economies in transition had made disproportionate efforts to liberalize and open their economies. In the case of Argentina, the average tariff had been reduced from between 45 and 50 per cent to 11 per cent, and non-tariff measures removed. Many countries in Latin America had adopted reforms. There was an imbalance between these efforts at liberalization and those of more developed countries which was endangering the continued dynamism of the reforming countries for the future.

47. The representative of the European Communities said that GATT members were being overly critical of themselves and of the state of the multilateral trading system. Although there were protectionist measures, there had been a substantial decline in protectionism during the almost fifty years of existence of the GATT system. There was much freer trade than was commonly understood to be the case because marginal protectionist measures were so frequently highlighted instead. This was one reason why the value of the multilateral system was not understood by the public. Perhaps there was a lesson here on which collective reflection was necessary.

48. Concluding the Uruguay Round certainly was the best answer that could be given to critics and the Community associated itself with statements made by previous speakers on this topic. The Community would continue to strive for a successful conclusion of the Round, and it was committed to multilateralism. The Community had found in the United States a trading partner ready to move forward on market access issues. The market access negotiation was, however, a multilateral one, and there were contributions to be made by many of the contracting parties which had spoken earlier.

49. Regarding the question of the co-existence of regionalism and multilateralism, it had always been the view of the Community that these two concepts were not contradictory. They were complementary concepts if applied in the right way so as to reinforce each other and create more trade. Some were of the view that regionalism was on the rise because of a lack of belief or confidence in the multilateral solutions. This was not a perception he shared, but there was also the view that in regional arrangements the commitments by the parties were more directly comparable and that consequently regional arrangements did not suffer from situations of free-riding. Perhaps this was also a topic to be pursued further in the debate on issues.

50. A tribute was necessary to the autonomous liberalization efforts that were highlighted in the report. They were useful and worthy contributions to freer trade, but they had the handicap of not permitting the predictability necessary to economic operators in order to invest. That confidence was needed to restore growth and more rationally allocate resources on a world-wide basis. So, while recognizing the value of these liberalization efforts, it was still necessary for them to be transformed in order to be useful for the multilateral system and for the Uruguay Round.

51. Regarding the increasing recourse to dispute settlement, it was worth noting that the value of trade involved was slight compared to the total trade carried out under the multilateral trading system. The Community was committed to strengthening the multilateral dispute settlement, and hoped to persuade all its trading partners to exclusively use multilateral channels to settle disputes. This was certainly

a key element in the conclusion of the Uruguay Round. On the topic of dispute settlement, he drew attention to a discrepancy in the wording of several paragraphs of that section of the Annual Report regarding the United States' requests for the authorization of the CONTRACTING PARTIES to suspend concessions, which he said could lead the uninformed reader to an erroneous conclusion.

52. The least satisfactory section of the Report concerns the implications of a more frequent recourse to anti-dumping and countervailing actions. The fact that more recourse was being made to licit measures was somehow construed to indicate that operators of these measures had illicit intentions. Certainly, rules on anti-dumping and countervailing actions were open to abuse like other rules in the system such as the balance-of-payments provisions. But that abuse could not be identified by the number of actions being taken. For example, it could not be inferred from a greater recourse to balance-of-payments measures that countries were trying to escape their obligations under the multilateral system. And yet it was precisely that which was being suggested by a reference to number of actions taken. A far more detailed analysis would be necessary to identify if and where abuse was taking place.

53. The representative of Mexico noted the value and success of the Trade Policy Review Mechanism established in 1989, both in terms of the analysis of the trade policy regimes of individual countries and in the Director-General's Annual Report. Mexico was one of the most recent beneficiaries of this exercise whose value was considerable both domestically and in the dialogue with trading partners. Regarding the topic of the relationship between trade and protection of the environment, his country was satisfied by the progress that had been achieved particularly in the Group on Environmental Measures and International Trade. Regarding regional agreements, Mexico wished to assure other countries that the proposed North American Free-Trade Agreement (NAFTA) would not only be fully compatible with the multilateral framework of GATT, but also provide benefits and a strengthening of this framework. Such mutual support was entirely feasible, and regional liberalization was a step in the construction of an international system of freer trade to which such agreements contributed directly, through the economic growth and the trade creation that they provided as well as, in an indirect way, by creating the economic and political conditions for a continued and greater deepening and extension of trade liberalization.

54. One concern was the growth in the number of disputes, in particular, but not exclusively, in the areas linked to anti-dumping and countervailing measures. Although it was true, as the Community had stated, that as trade grew possibilities of friction also grew, the rising trend of actions in this area was of concern and highlighted the need to clarify and improve the rules. Self-control by contracting parties was important, but it could not be achieved fully unless it was done collectively. This topic, as well as the problems that had arisen in the new areas of the Uruguay Round were a powerful reminder of the crucial importance of concluding the Uruguay Round as soon as possible and before the end of 1993. In this regard, his delegation endorsed the statement made by Argentina on the contribution made by developing countries to the multilateral trading system by recent liberalization initiatives.

55. The overview of developments in international trade could be developed into a more complete and valuable exercise if the Annual Report also covered the economic framework in which trade policies were taking place. This would require a consideration of international trade in the global macroeconomic context, including international capital flows. Such an analysis would be based on work done by the International Monetary Fund and other organizations more specifically devoted to these issues. In addition, it would be appropriate to complement the discussion on trade policy developments with domestic policy changes contributing to the internal liberalization of markets, in particular, deregulation and privatization. These additions would remain within the context of the 1989 Decision establishing the Trade Policy Review Mechanism, and already featured in the trade policy reviews of individual countries.

56. There was an imperative and crucial need to successfully and speedily complete the Uruguay Round.

It was not only the additional liberalization and extension of the scope of the rules of trade that was at stake, but also the credibility and strength of GATT itself. The GATT had benefitted many countries individually, as well as in assuring growth and stability at the global level. As had been earlier stated by the Director-General, it was the Uruguay Round that was supporting and sustaining the General Agreement, more than the contrary. Finally, there was a need to continue to emphasize the relationship between trade and protection of the environment in GATT's regular work. A crossroads had been reached where individual analysis, which had been extremely useful, was needed less than an exercise of collective analysis and understanding.

57. The representative of Bangladesh noted that the overall figures for the expansion of world trade in goods and services did not reflect the performance of least-developed countries (LDCs). The 1992 Report of UNCTAD on LDCs showed that the share of this group in world trade during the decade ending in 1991 had declined from 0.6 to 0.3 per cent, an indication of the marginalisation of these countries. Regarding the Generalized System of Preferences, the Programme of Action for the LDCs stressed the need for further improvement of the schemes as well as improved market access for products originating from LDCs, and it was to be hoped that the legal and economic implications of the recent extension of GSP programs to economies in transition would be taken into account. On the issue of trade and environment, the packaging requirements being introduced by some developed countries were threatening the export of jute goods, and the follow-up to UNCED in GATT should take into account the situation of LDCs.

58. Bangladesh had undertaken autonomous trade liberalisation measures which had a political, economic and social cost. In order to carry out liberalisation measures successfully, countries like his needed support in market access and other areas to offset these costs. The quota restrictions on exports of clothing from his country, with a per capita income of just over US\$200, by countries with per capita income of over US\$20,000 could not be described as a fair trading opportunity. In examining the benefit to be derived from the successful conclusion of the Uruguay Round, his delegation was not certain the Draft Final Act safeguarded the trading interests of LDCs, which were negotiating for special treatment as promised in the Punta del Este Declaration.

59. The representative of Egypt noted that the 72 countries listed as having undertaken autonomous trade liberalization initiatives, few were OECD countries. The majority of these countries were developing countries, including Egypt. These efforts should be commended, and should be met with understanding, recognition and the support of the international community and the international trading system. This understanding and support could take the form of increased market access for exports of those countries having adopted and launched such courageous programmes in difficult situations. Major trading partners should be careful when choosing the aim of their commercial policy weapons, and be careful and understanding dealing with exports of developing countries.

60. Although the brevity of the Annual Report was to be commended, the coverage of the trade liberalization measures of Egypt was incomplete. In the trade policy review of Egypt, the Chairman of the Council had stated that Egypt should be complimented for the autonomous steps that had been taken in recent years to liberalize trade policies and practices and many other aspects of its economy. The determination to continue the process had been welcomed as evidence of the strong commitment of Egypt to the multilateral trading system. As part of that commitment, Egypt was committed to the successful conclusion of the Uruguay Round by a balanced package that took into consideration the interests of all countries including the smaller nations.

61. The representative of the United States took issue with a statement in the Annual Report that "the persistent concern regarding implementation of adopted panel reports - the majority of the panel reports adopted since the start of the Uruguay Round have been the subject of such concerns - raises the question of the willingness of the respondent parties to support an effective dispute settlement system"

(C/RM/OV/4, p.9). The problems regarding implementation demonstrated the need for an effective dispute settlement system, existing in conjunction with full-ranging, effective substantive rules.

62. Her Government also took issue with the presentation of what the report described as the related issue of "unilateral measures and counter-measures", citing the beer and oilseeds disputes and stating: "Measures and counter-measures taken unilaterally without the authority of the CONTRACTING PARTIES put the multilateral trading system at risk. Actions outside the rules endanger the credibility of the system for settling disputes, and with it the GATT system" (C/RM/OV/4, p.9). The reference to oilseeds as an example of unilateralism was seriously misguided. As contracting parties would recall, the United States had brought and won a dispute, was forced to bring a follow-up dispute (which it had also won), went through a protracted Article XXVIII process, and faced rejection by the Community of binding arbitration to determine the level of impairment. It was only after these repeated efforts within the GATT system had been rebuffed by the Community that the United States had been forced to conclude the Community would not allow the system to work.

63. Fortunately, a resolution to the oilseeds dispute appeared to have been found, although it had yet to be ratified. If it had not been found, it would have been the United States that would have put the multilateral system at risk according to the Annual Report. This was not so. The United States was forced to contemplate going outside the GATT system because that system was not effective and had been hamstrung by the losing party. It was consequently the view of the United States that the Annual Report should not decry the need to go outside the GATT system, but the ineffectiveness of the system and the need to make it effective -- through improvements such as those negotiated in the Uruguay Round -- so that there was never the need to seek necessary remedial action through other means.

64. Regarding the number of restraints on exports involving the United States as the importing country in Appendix Table 4, her Government was unaware of the existence of several of the measures reported. Regarding the entry for the United States in the Appendix on "Autonomous trade liberalization initiatives undertaken since the launching of the Uruguay Round in September 1986", the Article XIX action on imports of speciality steel was terminated in 1990, and certain aspects of the action were "folded into" the steel VRA program, which was terminated in March 1992.

65. The representative of Romania noted the growing number of members of GATT, the increase in monitoring and review activity and the continuing resort to GATT's dispute settlement procedures, as proof of the key role of GATT in the functioning of the trading system. Even though the accent in the Annual Report had been on trade liberalization measures, including those of economies in transition, efforts had also been made to design trade policies in close line with GATT provisions. His Government had, for example, improved the licensing system and introduced a comprehensive anti-dumping legislation, and further steps were in view.

66. His Government was in agreement with the importance of an early and successful conclusion of the Uruguay Round. It was to be hoped that the present positive signs would materialize soon and his Government was determined to contribute in the final stage of the negotiations.

67. The representative of Brazil drew attention to the seemingly opposed trends of a renewed interest in the strengthening of the multilateral trading system and a proliferation of regional trade agreements. While such arrangements were not necessarily inconsistent with GATT rules, and they and the multilateral trading system could be mutually supportive, proper scrutiny of regional trade agreements was necessary. As the United States had stated at the 1991 Overview meeting, "all contracting parties participating in regional preferential trade agreements, especially those aspiring to full economic integration, should observe the notification and review requirements established in Article XXIV and the Enabling Clause" (C/RM/OV/M/2, p.3).

68. The Trade Policy Review Mechanism had revealed the trend to autonomous trade liberalization by developing countries, in contrast to the practices and policies by other economies that were contrary to GATT principles and rules. As the Annual Report had correctly stated: "Reviews of OECD countries have confirmed that tariffs on imports of most non-agricultural products are bound at low levels, although significant peaks remain in areas such as textiles, clothing and some natural resource-based manufactures and machinery" (C/RM/OV/4, p.6). More importantly, the Annual Report had confirmed that the protection granted to domestic agricultural products, to which should be added the subsidies provided to exporters of such products, had distorted trade and injured countries having a comparative advantage in the production of these goods.

69. Brazil shared the concern expressed by other speakers regarding the increase in the number of anti-dumping and countervailing actions. However, one aspect of the increase was the ability of new users to apply trade measures against injurious subsidized imports. In many instances, the introduction of anti-dumping or anti-subsidy legislation was part of a program to liberalize the trade regime; this had been the case of Brazil. While his delegation supported the view that care must be taken to ensure that the legislation and its implementation were consistent with GATT obligations, efforts at liberalization which included the recourse to trade remedies should not be undermined by procedural subterfuges and even the disposition not to allow for regulations to be properly complied with.

70. As the Annual Report had underlined, non-implementation of adopted panel reports raised the question of the willingness of the respondent party to support an effective dispute settlement system; it also placed considerable strain on the functioning of the GATT system. His delegation disagreed with the link which had been made in certain instances of adopted panel reports between implementation and the Uruguay Round, and supported the view that panel reports interpreted existing rights and obligations under the GATT and therefore needed to be implemented regardless of the outcome of the Uruguay Round.

71. Regarding unilateralism, which was at times related to the question of non-implementation of panel reports, his Government agreed that "measures and counter-measures taken unilaterally without the authority of the CONTRACTING PARTIES put the multilateral trading system at risk" (C/RM/OV/4, p. 9). As India had stated at the 1992 Overview meeting "India did not subscribe to the view that unilateral measures in certain areas were justified by the inadequacy of the scope of the GATT, particularly when negotiations on these issues were underway in the Uruguay Round" (C/RM/OV/M/3, p.7). These observations were still fully valid and Brazil echoed them.

72. Regarding the appropriate legal basis for extending the coverage of the Generalized System of Preferences to economies in transition, his delegation had made its views known in the Committee on Trade and Development. Brazil attached great importance to the principle of non-discrimination as embodied in Article I and continued to have an interest in ensuring that all departures from the principle were in accordance with the existing rules. Having hosted the United Nations Conference on Environment and Development in June 1992, Brazil was interested in the discussions which had taken place both in the Group on Environmental Measures and International Trade and in the Committee on Trade and Development on the follow-up in GATT to UNCED, and was ready to contribute to ensure that the relevant provisions of Agenda 21 be appropriately reflected in the functioning of the multilateral trading system.

73. At the end of the 1991 Overview meeting, the Director-General had expressed the hope that in the next Annual Report "it would no longer be necessary to refer to the importance of concluding the Round, since it was clearly the intention of all concerned to conclude it before the end of 1992" (C/RM/OV/M/3, p. 16), and the Chairman of the Council had remarked on the paradox that it had not been possible to do multilaterally what a number of countries had done autonomously. A solution

to this paradox had still to be found, but it was important to repeat the Chairman's words to the effect that while the problem was still pending "there seems to be no justification for not supporting, adhering to or living by the existing system" (C/RM/OV/M/3, p.16). It was to be hoped that the next Annual Report would include a chapter on the successful conclusion of the Round and the positive prospects for world trade as a result of the agreements reached.

74. The representative of Chile noted the non-implementation of panel recommendations, the increase in anti-dumping and countervailing actions, and the disputes among major trading nations as negative elements. Among the more encouraging elements, there were the autonomous trade liberalization measures taken by many countries, in particular, the developing countries and the countries of Central and Eastern Europe, and the republics of the former Soviet Union. Insufficient importance had been given to this in GATT. Countries had taken such liberalization measures with full trust in a properly functioning multilateral trading system. If this system was jeopardized, these countries would be left in a very dangerous situation which could, in fact, lead them to reverse the trend towards the opening of their economies. Another encouraging element was the number of countries seeking accession to GATT, again reflecting the confidence and trust they placed in the institution. In particular, the larger countries like China and Chinese Taipei would constitute a major contribution to the multilateral trading system once they had become full members.

75. In order to improve the coverage of the Annual Report, it would be useful to include in a tabular form the progress made in liberalizing trade and in compliance with GATT rules. For example, in the section dealing with autonomous trade liberalization initiatives, a statistical analysis would demonstrate that certain countries had taken substantial such steps compared to other countries, making a significant contribution to an increase in trade with the rest of the world. Another example of improved coverage would be to try and identify those cases where anti-dumping measures were taken in order to protect domestic production, as compared to those where such measures were taken in genuine dumping situations according to the terms that had been determined on a multilateral basis. These improvements in coverage would assist in determining whether progress had been made in the period under review in terms of market-opening. Even though such an analysis would be complex to undertake, it would serve as a signal to governments, and further substantiate the argument that there was an advantage to be gained from a sound multilateral trading system based on rules respected by all.

76. The representative of the Czech Republic noted the decisive changes which had taken place during the period of review in the Annual Report, including the dissolution of the former Czech and Slovak Federal Republic as of 1 January 1993. Countries in transition to market economies had been able to play a growing role in the world economy and in the GATT. As the Report stated, for the first time since the start of transition to market economies, the countries in Central and Eastern Europe had reported increased export and import volumes for 1992. Regarding the rise in exports, the argument of recession had at times been invoked to justify protective measures on imports from Central and Eastern Europe. In this context, the other side of the coin was often forgotten, namely, that the liberal trade regimes and improved market access to the countries in transition were providing trade and investment opportunities to other GATT members. The rise in imports of countries in the region was helping to limit the effects of recession in trading partners, and had been 20 per cent in 1992 for the former Czech and Slovak Federal Republic. In spite of the difficulties his Government was facing, there was no intention to revert to the protectionist practices prevailing under the old regime, and the Czech Republic was committed to contributing to a successful and early conclusion of the Uruguay Round.

77. The representative of Malaysia, speaking on behalf of the ASEAN contracting parties, expressed concern at the use of "managed trade" and the recourse to unilateral actions to resolve trade concerns. Of particular concern was the sharp rise in the number of anti-dumping and countervailing investigations initiated during the period under review. The fact that the increase coincided with a period of slow world growth reinforced the view that anti-dumping and countervailing actions were increasingly

becoming the favoured tools for protectionism. This underlined the importance of ensuring that domestic legislations were in conformity with obligations under GATT, and the need for tighter multilateral disciplines in the areas of anti-dumping and countervailing actions to prevent them from being tools for trade harassment.

78. The GATT system was by no means perfect and further improvements could be made. However, all contracting parties had derived benefits from the existence of GATT, and the ASEAN contracting parties subscribed to the Director-General's comment in his introductory remarks that "the GATT system remains the only multilaterally acceptable yardstick for judging national behaviour in the area of trade relations". The Uruguay Round was aimed at addressing the weaknesses and shortcomings of the system, even though it could not resolve all the difficulties in trade relations. The ASEAN contracting parties remained committed to concluding the Round and wanted to be constructive as well. It was to be hoped that the process of negotiations would continue with a greater sense of urgency, and the ASEAN contracting parties once again called on all participants, and in particular the major traders, to exert the necessary effort needed to conclude the negotiations.

79. Regarding the important and complex subject-matter of trade and environment, the ASEAN contracting parties supported the efforts to find ways and means of making trade and environment mutually supportive and contributory to sustainable development. GATT had an important role to assume in maintaining an open and non-discriminatory international trading system, and it was important to find multilateral solutions to problems of common concern, as this would avoid the use of unilateral measures for so-called environmental reasons. Regarding the co-existence of regionalism and multilateralism, the Director-General had once said they were two sides of the same coin. While benefits could be derived in terms of economic development from such agreements, the ASEAN contracting parties agreed that regional arrangements had to be consistent with the relevant GATT provisions.

80. The representative of Turkey noted the expansion of world trade in goods and services for the period under review, and said that the Annual Report demonstrated that the expansion was largely due to the autonomous trade liberalization undertaken by developing countries. The conclusion of the Uruguay Round, in conformity with the principles established in the declaration of Punta del Este, would boost confidence and lead to an end to the world economic slowdown. Turkey was concerned by the rising number of Article XIX actions, anti-dumping and countervailing actions, as well as measures restraining trade on a bilateral basis, of particular concern for developing countries. There was also a rise in the number of disputes. These developments demonstrated clearly the importance of a more effective GATT dispute settlement process, and the importance of concluding the Round. The section of the Report on the Trade Policy Review Mechanism had overlooked the fact that his country was a founding member of the OECD.

81. In his concluding remarks on the debate, the Director-General noted the unanimity of the speakers on the importance of the GATT, dispute settlement, the Trade Policy Review Mechanism and other GATT activities. However, each participant in the debate had maintained a silence on certain issues, and a dialogue was lacking. The idea of a set of indicators to examine the various aspects of trade policy regimes, noted by Chile, was an idea which had been raised in the Leutwiler 1985 Report on Trade Policies for a Better Future: Proposals for Action (Sales No.:GATT/1985-1), and it was possibly a worthwhile concept to pursue for future reports.

82. On the question of regionalism, his view was that there was a need for greater cooperation between countries, as the case of Africa demonstrated, for example, not only at the regional level but between regions. While there was a need for greater transparency in such arrangements, there was no contradiction between regionalism and multilateralism. As to anti-dumping, both sides of the debate had presented their views at the meeting. There was agreement that the use of such measures was on the rise, but the problem posed by that rise had not been clearly specified. It could not be concluded

that protectionism was related to the rise. However, five years ago, only the major trading nations had anti-dumping legislation in place. If there was a problem, it was important to elucidate its nature, including the question of distortions to the conditions of competition.

83. He agreed with the Community that more emphasis needed to be placed on the positive elements of the GATT. The downturn in the world economy was in many respects more severe than the recession of the 1930s, which had ruptured the trade relations between nations. Had the GATT not existed and the Uruguay Round negotiations not been ongoing, perhaps the present downturn would also have ruptured trade relations. On the other hand, it was the responsibility of all GATT parties to champion the cause of the system.

84. Summing up the debate, the Chairman noted the strong will and collective commitment of all speakers to conclude the Uruguay Round successfully and with balanced results by the end of 1993. He concurred with the Director-General's opening statement that the extensive use of the present GATT, despite its weaknesses and shortcomings, was evidence that the GATT remained the only multilaterally acceptable standard for judging national behaviour in the area of trade relations.

85. Regarding regionalism, he drew attention to the fact that the requirements for biennial reporting by parties to regional agreements under the November 1971 Decision of the CONTRACTING PARTIES (BISD 18S/38) had not been followed for some time and calendars for reports had not been established by the Council since 1987. He also drew attention to the need for an examination of the manner in which working parties established to examine such arrangements fulfilled their remits. It was his intention to initiate a process of informal consultations on the question of reporting requirements on regional agreements, as well as on the examination of such agreements by working parties.

86. Regarding the problems posed by the non-implementation of panel recommendations, he noted that under the 1989 Decision on improvements, there was an item on the agenda of each regular Council meeting to monitor the implementation of panel reports and urged delegations to avail themselves of this opportunity to discuss the matter. Regarding trade and environment, there was a need to prepare carefully the year-end meeting of the Council which would examine the follow-up to UNCED in GATT. Regarding the improvements agreed by the Council in May 1993 to the procedures for Trade Policy Review Mechanism meetings (C/M/263; item 15), these were designed to stimulate discussion and dialogue in the framework of the TPR process. Finally, the issue of the rights and obligations of observers was the subject of informal consultations, which he expected to conclude before the summer.

87. The representative of Argentina said that the increased market access in developing countries had been the most dynamic element in world trade in the past two years, but there was no certainty the process would continue in developing countries and in economies in transition. The proposal of Chile regarding a tabular presentation of changes in market access had met with the agreement of several delegations and, judging by his concluding comments, of the Director-General.

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