

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Consultative Group of Eighteen
Eighteenth Meeting
4-7 May 1982

NOTE OF THE EIGHTEENTH MEETING OF THE CONSULTATIVE GROUP OF EIGHTEEN

1. The Consultative Group of Eighteen held its eighteenth meeting on 4-7 May 1982. The annotated provisional agenda was circulated in CG.18/W/67 and the list of participants in CG.18/INF/19.

2. The agenda was as follows:

1. The current economic situation and its implications for trade policies.
2. Contribution of the Consultative Group to the preparation of the Ministerial meeting in November 1982.
3. Co-operation on agriculture in the GATT.
4. Other business.

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

3. At the suggestion of the Chairman, the Group decided not to discuss the item.

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

4. The Chairman introduced this agenda item by recalling that the secretariat had circulated two papers to the Group, both originally submitted by the secretariat to the Preparatory Committee, namely PREP.COM/W/5 and PREP.COM/W/7. The first of these papers was an attempt to bring the preparation of the Ministerial meeting into sharper focus by listing all of the topics so far proposed for ministerial consideration under one of three headings: (1) The Political Commitment; (2) Substantive Decisions; and (3) The GATT System in the 1980s. The last meeting of the Preparatory Committee appeared to have endorsed this tripartite approach. The second document, PREP.COM/W/7, was an annotated list of topics which summarized the current state of work in each area. These documents did not of course commit any delegation; they were merely meant to place the further preparation of the Ministerial meeting on a more systematic basis. The Chairman closed by calling on Ambassador McPhail, Chairman of the Preparatory Committee, to report on the progress made in the Committee and on his intentions regarding the Committee's future work.

5. Statement by the Chairman of the Preparatory Committee.

Ambassador McPhail said that at the last meeting of the Preparatory Committee it had been agreed to hold informal consultations with a view to preparing an initial draft of the envisaged political declaration and to setting out in greater detail the substantive actions to be taken by the Ministers. The consultations were well under way and the Preparatory Committee would have a first draft of the final document before it at its 24/25 May meeting.

6. As to the political declaration, a first round of consultations had shown that there were some widely shared objectives. But there were also national perspectives which could only be reconciled if it were possible to draft a declaration which

- was short enough to have a strong public impact but also long enough to cover a broad range of interests;
- was fit for domestic political consumption but did not pander to protectionist pressures;
- was realistic but also reaffirmed ideals;
- was limited to trade but also took into account the general economic situation;
- recognized deficiencies in the world trading system but also recognized the achievements of GATT; and
- dealt with subjects of general interest but also called for specific actions.

7. There was the risk that the meeting would produce only a bland, traditional, lowest-common-denominator statement. However, the consultations he had held so far made him optimistic. He had detected in them a common conviction that the declaration had to be drafted in such a way as to have a strong political impact on governments, on the public and on the trading community.

8. As to the operative parts of the Ministerial Declaration, informal consultations were about to start. The aim was to produce a preliminary draft setting out what delegations wished to achieve in specific areas. This draft might help delegations and capitals arrive at more definitive ideas before the summer break.

9. General comments. One member said that the Ministers should analyse the causes for the non-functioning of the international economic system and that in-depth studies of this problem should be submitted to them. In his view the lack of liquidity and the protectionist tendencies were the central problems. If they were overcome, it would be possible to revitalise the world economy, to close the gap between the developed and the developing countries and to create a new system of international economic relations which, in turn, would have a favourable impact on political relations.

10. The Chairman suggested that, given the present state of the work of the Preparatory Committee, the Group might wish to discuss in concrete terms the topics which in the view of most contracting parties required action by Ministers.

11. Trade restrictions applied for non-economic reasons. One member said his country was living in a state of extreme tension and was subject to trade restrictions in contradiction with the principles and objectives of the GATT, and in breach of normal international economic relations. The Latin American Integration Association had rejected the measures taken against his country. The Permanent Secretary of the Latin American Economic System had declared that these measures taken by countries outside the region in support of colonial interests were extremely serious. The Commission of the Cartagena Agreement had also expressed concern. The Organization of American States had similarly deplored the measures and recommended their immediate removal. These regional organizations had thus shown that they were very concerned about the embargo. The measures taken by a number of developed countries were a negative precedent for the developing world. He recalled in this context that, according to the Charter of Economic Rights and Duties of States, no country should take economic measures to coerce another state in order to obtain from it the subordination of the exercise of its sovereign rights. The coercive measures had been imposed at a time when the GATT rules were to be improved through more dynamic commitments favouring developing countries, and when efforts were being made to ensure that the Ministers met in an atmosphere of trust. It was at this time that a developing country was faced with the cruel fact that what counted in the final instance in international trade relations was economic power. In his view the trade restrictions were abusive, even unfair and disloyal, and not fitting at a time when it was recognized that force should not be used to impose solutions on less powerful states.

12. Another member said that his authorities would make their views on the matter known at the meeting of the Council on 7 May 1982.

13. Two further members expressed views on this matter. One member said that his government had always been convinced that politics should be kept separate from trade. The basic question was whether contracting parties should be allowed to take trade measures prompted by non-trade situations. If two countries were at war with one another it was normal that they severed trade relations, but the actions taken by a large number of countries in this instance were justified neither under the General Agreement nor the UN Charter. Another member, agreeing, added that, at the Ministerial meeting, an understanding should be sought that interferences of this kind were to be avoided in the future.

14. Safeguards. The Chairman introduced the discussion on this topic by stating that the problem of safeguards in the widest sense, including voluntary export restraints and all measures taken in the grey area of illegality, was at the heart of the current difficulties of the trading system. There was now a consensus that the Ministerial meeting had to eliminate or reduce the uncertainties in this area, both of law and practice, which were undermining the confidence in the GATT system and in the prospects for economic recovery.

15. One member said that, for the governments of the developing countries which had recently liberalized their trade régimes against the odds of payments difficulties and protectionism abroad, it was politically important to be able to say that the safeguards issue was being dealt with. If left unresolved, this issue could cause a political backlash frustrating their liberalization efforts.

16. One member said there was an urgent need to reach an agreement on safeguards providing for a return to Article XIX, improved disciplines and greater transparency. The agreement should ensure that such measures were taken as a rule on a most-favoured-nation basis. He also said that developing countries, in particular the small suppliers and new entrants among them, should be given special and differential treatment, but that safeguard measures should not be imposed so as to penalize developing countries that had relatively high levels of development and had become internationally competitive. The concepts of damage, injury, threat of injury and critical circumstances required more precise definition. Procedures for notification, consultation and surveillance should be exhausted before safeguard action against a developing country was taken. If such action became inevitable, it should be limited in time and accompanied by adjustment assistance to help the protected factors of production move to fields in which they were more competitive. The right of developing countries to seek compensation from developed countries for safeguard actions taken against them should be ensured.

17. One speaker reacted to these proposals by saying that there needed to be a certain balance in any change in the arrangements on safeguard actions. Stressing that he did not wish to defend bilateral arrangements, he suggested that the question should be asked whether a most-favoured-nation application of Article XIX would have done less damage to world trade than some of the arrangements in place. More hard and factual analyses were needed to determine what the practical possibilities were for a balanced approach to any changes that might be considered necessary in the safeguards system. The minimum one should aim at for the Ministerial meeting was an agreement to draw conclusions from a factual study within a reasonable period of time.

18. Another member disagreed with this suggestion: the safeguards issue had been with the GATT for too long; it should now become the subject of negotiations, not of a work programme. The Ministers should lay down at least some of the principles on which further negotiations should be held. Solutions should be sought that reflected both high aspirations and a sense of realism; there was simply no point in creating new rules governments could not live up to. He added that a new framework for safeguards could well include local content requirements, which were often imposed for safeguards purposes.

19. Another speaker thought that a realistic and effective solution should be negotiated which Ministers could endorse in November. If the negotiating efforts until then were limited to finding a provisional solution, this

would shatter the confidence that the envisaged political declaration of the Ministers should re-establish. Some other members replied that while a final solution of the problem was preferable, the complexity of the task was such that a gradual, step-by-step approach might become inevitable. In that case there should be at least a firm commitment to reach a final solution before a fixed deadline. The Ministers would help further constructive negotiations if they were to declare that safeguard measures should be exceptional, that actions outside Article XIX should be avoided, that illegal measures should be phased out and that the transparency of safeguard measures should be improved. One of the results of the Ministerial meeting might be the creation of a safeguards committee without which these problems could not be managed.

20. One member pointed out that Article XIX had already been mentioned in the Tokyo Declaration and that, in the nine years since its adoption, no solution had been found to the problem. If the forthcoming Ministerial meeting were to fail to make progress, or if merely a decision of a procedural or methodological nature were taken, the credibility of GATT would be jeopardized. It would then be preferable to withdraw the item from the agenda or postpone the Ministerial meeting. It was now imperative to face squarely the main unresolved issues: the definition of damage or injury, the coverage, the geographical application, the powers of a safeguards committee and the procedures for transparency. As to the coverage, he said that all measures having safeguards effects should come under the purview of a new code. There was, in his view, a close link between the geographical application and the powers of the committee: the higher the permitted degree of selectivity in the geographical application, the greater the powers of the Committee would need to be. He hoped that the Ministerial Meeting would exert pressure to reach agreement, if not on a complete code, then at least on the main elements of a code. With the main elements agreed, the Ministers could then instruct the GATT to prepare a code on the interpretation and application of Article XIX within fixed time-limits, say, six months for the first draft.

21. One member urged that uniform rules applicable to all contracting parties be established in the safeguards area. The resolution of the safeguards issue would resolve in his view many related problems, including those of quantitative restrictions and other non-tariff barriers. Another member stressed that all types of safeguard action not applied in conformity with the GATT had to be brought under equitable GATT disciplines. In this context, he mentioned that waivers for safeguard measures had tended to be regarded as permanent and open-ended, which had caused inequity and imbalance.

22. The Chairman concluded the discussion by saying that there was broad agreement in the Group that the implementation of safeguard measures, be they taken within or outside of Article XIX, seriously affected trade flows and that the time had come to seriously consider the issue. The Ministerial meeting was an additional reason to move ahead. He expressed the hope that those who spoke out vigorously in favour of a constructive quest for an agreement would be present when the competent committee pursued its work.

23. Dispute Settlement. The Chairman initiated the discussion on this topic by recalling that, as pointed out on page 6 of PREP.COM/W/7, a certain number of difficulties had become apparent since the adoption of the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance. Dispute settlement was one of the areas in which the effectiveness of GATT was at stake. The increasing readiness of the contracting parties to submit their differences to the GATT for settlement was a healthy sign of their confidence in the institution, but that confidence would be short-lived if the disputes could not be resolved expeditiously and convincingly.

24. One speaker said that the inadequacies of the dispute settlement procedures were proving to be a road block on the way to the developing countries export expansion. He noted that many cases had not been resolved within the prescribed period and that sometimes panels had recommended bilateral solutions even though a prima facie case of nullification and impairment had been established. He concluded by emphasising that order in world trade required an effective adjudication procedure in GATT.

25. Another member agreed that improvements in the dispute settlement procedures were needed. However, it was the common responsibility of the contracting parties to attempt to resolve their disputes through bilateral consultations; a further increase in the number of disputes could overburden the GATT. He added that one possible improvement was to strengthen the secretariat's capacity to service panels.

26. One member pointed out that, in the area of dispute settlement procedures, many lofty objectives had been declared but few concrete suggestions had been made on how the high aspirations could be attained. He saw very little that could be done except perhaps to decide that the CONTRACTING PARTIES would not close a case unless they had taken a decision on it. The basic problem was that contracting parties sometimes did not observe the panel findings. He doubted whether voting, expelling the contracting party from the GATT, retaliatory and compensatory action under Article XXIII, or other procedural devices could effectively deal with this problem. It was not the system but the behaviour of the contracting parties within that system that needed to be changed. The Ministers should therefore not be asked to amend the GATT procedures for dispute settlement but rather to commit themselves in the envisaged political declaration to full compliance with the existing procedures and the CONTRACTING PARTIES' decisions taken under them.

27. Another member agreed that the problem was more of a political than of a procedural nature and that it would therefore be appropriate to address it in the Ministers' political declaration. One procedural improvement which could nevertheless be considered was the creation of a special body, possibly a standing body, to which the task of promoting conciliation could be entrusted; this would help panels concentrate on their adjudication function.

28. Another member replied that political will to improve the system was essential. If the Ministerial meeting were to demonstrate that this will was lacking, then it would be pointless to set up a work programme or a group to study procedural improvements. But if it were there, a number of problem areas could be examined, in particular the timeliness of the panel findings, the quality of the panelists, the rôle of the panels in promoting conciliation and making objective findings, the secretariat support of panels and the drafting of the panel's conclusions. If the problems that had arisen in these areas were resolved, this would help resolve also the problem of the acceptance of panel findings.

29. One member said that there had at times been difficulties in reaching agreement on the terms of reference and the composition of the panels, in observing the prescribed time-limits, in adopting the panel reports speedily, and in implementing the recommendations or rulings adopted. In the future, expeditious adjudication procedures should possibly be used whenever conciliation seemed pointless; panels might be asked not only to settle the concrete dispute at hand but also to devise schemes aimed at improving a situation; panels should possibly make more closely reasoned findings and contribute thereby to the building of a body of case law; and panels might be composed of permanent specialist members who can take a detached position. The overall aim would be to move away from diplomatic solutions towards a more objective, juridical form of dispute settlement.

30. One speaker stressed that the question was not whether improvements in the dispute settlement procedures could be made - that was of course always possible - but whether the improvements on which a consensus could be reached would justify giving this topic prominence in the Ministerial meeting. It was important to guard against creating excessive expectation; the outside world should not be given an overblown idea of what could be achieved.

31. Subsidies. One member said that progress in the area of subsidies was a matter of highest priority for his country. The breakdown of GATT disciplines in the subsidies field caused distortions and inequity in international trade and led to a drain on national treasuries. The Subsidies Code had not yet led to effective disciplines in the area of subsidies; the Ministerial meeting should be used to establish them.

32. One speaker said that the problem of domestic subsidies should not be forgotten. These were in many cases direct substitutes for import protection. The Ministerial meeting should therefore deal not only with export subsidies but with subsidies in general. Another member cautioned that, though domestic subsidies presented an important problem, the Ministerial meeting should not be overcharged. Proposals of an operational nature could probably not be worked out before the Ministerial meeting. The matter could however be dealt with in the political declaration.

33. One speaker recalled that with regard to subsidies, in particular agricultural subsidies, a detailed agreement had been concluded in the Multilateral Trade Negotiations and it would be realistic to bear in mind the difficulties that were encountered in reaching a settlement. Another member replied that the Subsidies Code did not, as far as agricultural products were concerned, go further than the General Agreement. To his government, progress in this area remained imperative.

34. One speaker said that, when the members spoke on subsidies, they appeared to refer only to the subsidies of the other countries. He suggested that one might introduce the "clean hands principle" in the area of subsidies: before being allowed to attack the subsidies of the others, contracting parties should first prove that they did not grant subsidies themselves.

35. Developing countries. One member, supported by others, said that there should not be a specific item for developing countries on the agenda of the Ministerial meeting. The problems of the developing countries should be examined and resolved within the range of each individual agenda item.

36. One member, supported by several others, suggested the review of the implementation of Part IV of GATT as a topic for ministerial action. This part of GATT should be reactivated in view of the increasingly important role of the developing countries in the world economy and in order to promote these countries' trade interests. The Ministers should ask an appropriate organ of GATT to conduct an intensive review of Part IV of GATT and to make recommendations, if possible, within six months. One member suggested that the implementation of Part IV of GATT could be seen as part of the general problem of the full implementation of GATT.

37. Other topics. One member said that new directives were required on tropical products, quantitative import restrictions, export restrictions and charges, and subsidies. Another speaker added that the Ministers could usefully take operational decisions on the review of the MTN codes, the Harmonized Tariff System, and counterfeiting; and they should commission studies on trade in services, dual pricing and the effects of exchange rates on trade. One member did not consider trade in services and counterfeiting to be appropriate subjects for the Ministerial meeting.

38. One member pointed out that on many subjects no detailed explanations or justifications had so far been presented. It was therefore not clear to him what the practical relevance of the topic "greater participation of developing countries in world trade and GATT system" could possibly be in the Ministerial meeting. He also did not understand what the Ministers could appropriately do to further the review of the MTN agreements, which in any case bound only the signatories. It had not been made clear why the topic "high technology products" was proposed for ministerial consideration. The paper submitted on this subject to the Preparatory Committee required

further explanation. "Fisheries" had been proposed as a topic, but no contracting party had explained how this subject should be approached. As yet no delegation had spoken about "trade negotiations among developing countries", a subject which had been taken up elsewhere. A number of topics proposed for the Ministerial meeting fell outside the jurisdictional boundaries established by the General Agreement. The catalogue of suggested topics could for these various reasons be drastically shortened.

39. One member pointed out that the GATT lacked a political body similar to the IMF's Interim Committee. To ensure an appropriate political follow-up of the Ministerial meeting, some new institutional arrangements might be necessary such as more frequent sessions at ministerial level or a broadening of the Consultative Group.

40. The Chairman concluded the discussion by stating that there was agreement in the Group that the purpose of the Ministerial meeting was to reaffirm the contracting parties' commitments under GATT and to give substance to this reaffirmation through concrete actions on a number of key issues. The final aim was to restore confidence and predictability in world trade relations.

Item 3. Co-operation on agriculture in the GATT

41. As agreed at the last meeting of February, the Group had before it for discussion under this agenda item, a paper prepared by the secretariat on its own responsibility, entitled "Cooperation on Agriculture in the GATT" (CG.18/W/68). The Chairman noted that the first chapter of the paper identified the problems and measures affecting market access and competition in agricultural trade, and the impact of national agricultural policies on market access and competition. The extent and nature of obligations that had been negotiated under the GATT in the past were also indicated, highlighting in the process certain weaknesses in the functioning of international co-operation in the agricultural sector. The second chapter of the secretariat paper provided some suggestions for improvements to the GATT system as it applied to agriculture, which the Chairman hoped would stimulate the Group's discussion and analysis of the international agricultural situation. He also hoped that they would help the Group to work out, if possible, certain suggestions, which could form the basis of the deliberations of Ministers next November on the problems of agricultural trade.

42. Members of the Group thanked the secretariat for its paper. In general, they considered that the paper offered a useful basis for focusing their discussion, particularly as regards the preparation of the Ministerial session. Many members stated that agriculture should be an item for priority attention by Ministers and that the end-result of their deliberations should be an action-oriented programme to deal with the agricultural problems identified. One member felt that agriculture or any other particular sector should not be mentioned specifically in Part I of the Ministerial agenda as that would detract from the impact of the political statement.

43. Certain members referred to the differences in the treatment between agriculture and industry in the GATT; e.g. the proliferation of non-tariff measures, inadequate tariff concessions, problems of divergent interpretations, the lack of application of certain rules. The large number of disputes and tensions in the area of agricultural trade reflected, in their view, the inadequate treatment of agriculture in the GATT. Some speakers saw the task of the Ministerial as taking actions which would lead to redressing this "institutional discrimination". It was important that agriculture should not be put aside as a special and permanently different case, said one member, but fully integrated into the multilateral trading framework. One member spoke of the need to redress the imbalance in GATT among the various countries resulting from past negotiations. The current situation affected the credibility of the GATT. Smaller countries, both developed and developing, attached great importance to having equity for all as regards GATT disciplines and obligations. Other speakers also referred to the need to promote the development of agricultural production in developing countries in particular. Some members called for having the world market for agriculture operate more on the basis of comparative advantage. One member stated that it was of utmost importance to bring back something from the Ministerial to producers in his country, which would give them confidence to continue their agricultural activities.

44. However, other members followed a somewhat different line on agriculture. One stated that the agricultural sector had to be approached from the angle of what was practically feasible, given the special characteristics of that sector. Another speaker characterized as sterile the comparison between commercial practices in agriculture and industry. The special rules on agriculture had been developed in order to respond to the fundamental and imperative objectives of national agricultural policies (to which paragraph 35 of CG.18/W/68 referred). Other factors or measures had developed as a result of past negotiations, for which concessions had been given. All was not "guilt" in the agricultural sector; the volume of trade had increased and Ministers should note that.

45. One member stated that changed circumstances could lead to a renegotiation provided one was willing to pay for it. He was worried that "the waiver" and restrictive measures could be eternal. Although some speakers stated the the Ministerial was not expected to launch another negotiating round, the hope was expressed that the future activities in the GATT, based on the work programme elaborated by the Ministers, should lead at some point to the establishment of a negotiating framework for dealing with agricultural problems. Reference made in CG.18/W/68 to previous work done on the techniques and modalities on negotiating on agriculture (COM.AG/25) reminded us, in the opinion of one speaker, that there was nothing particularly new about the issues facing us, but what had been lacking up to now was a real sense of commitment to deal with agricultural problems in all their dimensions.

46. Members of the Group made a number of specific comments on CG.18/W/68. As regards Chapter I thereof, one member stated that practically all the problems in the agricultural sector had been identified. He believed that variable levies (paragraph 8) and customs unions (paragraph 16) should be recognized as historical facts. Debates about their legal status or doctrinal purity could only lead to an impasse.

47. Another member considered subsidies to be a major issue of the highest priority under both market access and competition. Accordingly, he felt that paragraphs 2 and 24 of the secretariat paper should include a reference to subsidies and to the Subsidies Code, respectively. Similarly, paragraph 30 should note that the clear intention of Article XVI was to avoid subsidies prejudicing the trade of other contracting parties. The paragraph should refer to subsidies other than export subsidies which could lead to distortion of competition in third markets. The member mentioned that in notifying subsidies, contracting parties were obliged under Article XVI:1 to comment on the estimated effect of the subsidization on imports or exports: an obligation which was often not met. Recent discussions on Panel findings (e.g. on sugar) had revealed that there was obviously a major difference of view regarding the nature of the obligations under Article XVI:1 relating to the "possibility of limiting the subsidization". Some countries believed that the discussions under Article XVI:1 must lead to some limitation of the subsidization, while others viewed the obligation as meaning nothing more than to talk about the possibility of limiting the subsidization. It was questionable whether countries did in fact "seek to avoid the use of subsidies on the export of primary products" as they were obliged to under Article XVI:3. The rules in the GATT and in the Subsidies Code relating to export subsidies on agricultural products were not as stringent as they were on non-agricultural products. The member felt that the above points should be reflected in paragraph 30 of CG.18/W/68.

48. Chapter II of CG.18/W/68 provided certain suggestions for improvements to the GATT system. One member stated that his delegation fully concurred with all the suggestions contained in paragraphs 41(a), 42, 44, 45 and 47 but believed that each suggestion should be put into the perspective of trying to integrate agriculture more fully into the GATT framework, including the safeguard system. Contracting parties whose trade interests have been damaged by special safeguard measures on agricultural products - which are proscribed but permitted tacitly or explicitly - should have similar rights to compensation and/or retaliation as provided for under Articles XIX and XXVIII.

49. Another speaker considered that the suggestion in paragraph 41(a) to review agricultural non-tariff measures ran the risk of duplicating the work of the existing GATT body dealing with residual restrictions, both industrial and agricultural. Efforts to come to an agreement on a unanimous interpretation of the application of the Standards Code to agriculture would be undertaken in the Committee established under that Code, and it was

doubtful whether that Committee needed an exhortation to do so as suggested in paragraph 41(b). The suggestion in paragraph 42 to review waivers and other exemptions under Protocols of Accession was an acceptable and good suggestion. It would be difficult to obtain an agreed interpretation on the status of variable levies, as suggested under paragraph 43, but perhaps they could be considered as unbound duties in cases where there were no ceilings attached to the levies. The member agreed that there was room for more transparency in the area of voluntary restraint agreements as suggested in paragraph 44. As a practical approach, a one-time review of the activities of State-trading enterprises could be tried, with a determination afterwards of whether further review was needed, rather than an annual review as suggested in paragraph 45. Paragraph 47(a) provided a useful and welcome suggestion to examine the conditions in which agreement could be reached on the uniform interpretation of Article XVI and of the Subsidies Code. The usefulness of formulating additional rules on export subsidies as suggested in paragraph 47(b) might be examined. However, it was doubtful whether the OECD arrangement on export credits could be expanded to cover agricultural commodities. The member questioned what form a possible standstill on export subsidies could take.

50. It was recalled by one member that amendments to the Subsidies Code could only be made by signatories thereto. Taking into account that there will always be a need for subsidies he was attracted by the idea of a negotiation on the level of subsidization on a sector-by-sector basis.

51. Another speaker said that, if necessary, the definition of certain practices could be improved, in particular export subsidies, which are authorized by the GATT, but for which there are difficulties in interpreting the rules. His delegation was ready to look at whether the GATT rules were well defined but not willing to work out new rules. The only suggestion in CG.18/W/68 which posed an insurmountable problem for his delegation and which could not be accepted, was that contained in paragraph 47(b) relating to formulating additional rules on agricultural export subsidies. The result of the Tokyo Round was perhaps unsatisfactory in this area but nothing could be served by reopening the issue.

52. One member said that his country could endorse most if not all of the suggestions in CG.18/W/68, but it would have to consider further the suggestion for new work in paragraphs 48 (additional rules on credit sales and non-commercial transactions) and 49 (notification and discussion regarding bilateral supply agreements). He did not exclude eventual support of these two suggestions. Although much could be gained from being better informed about bilateral agreements, he thought it would be important to distinguish between government-to-government agreements and agreements between commercial bodies.

53. Section F of CG.18/W/68 (paragraphs 51-58) focused on the impact of national support policies on agricultural trade and suggested the establishment of a new co-operation obligation in regard to agricultural policies. The time had come, one member stated, to reconsider domestic

agricultural policies which had led to chronic surpluses and depressed prices. He referred to the recent experience on trade in sugar as an example of the interdependence of countries. It was no longer possible for any one nation to legislate on the basis of domestic considerations, without taking into account the ramifications of a programme on the international market place. The member drew attention to the suggestion, contained in paragraph 56 of CG.18/W/68, that major cyclical legislation as well as major legislation in particular agricultural sectors be notified to GATT, and that the impact of such legislation on commercial import and export policy be examined. These were practical measures for an effective work programme that should be recommended to Ministers. Likewise, the suggestion, contained in paragraph 58 that appropriate institutional arrangements be established to monitor GATT rules and to pursue the possibilities for improving international co-operation as regards market access, competition, and agricultural policies, could also be recommended to Ministers.

54. Another speaker supported the idea that national policies must be examined in an appropriate framework. However, one member characterized as far-reaching the suggestions contained in paragraphs 51 to 58 to establish a new co-operation obligation in regard to agricultural policy and wondered whether it would not be fair, if countries were to agree to go that far on agriculture, to require similar attention to national industrial policies.

55. Certain speakers were either open to, or had not yet made up their mind on, the possibility of establishing an agricultural committee. One member stated that before establishing an agricultural committee, it should first be determined what such a committee should do. Another member stated that his delegation could be attracted to the idea of the establishment by Ministers of a group on agriculture, only if such a group held out the prospect of leading to the development of practical negotiating possibilities.

56. Two members offered specific proposals or ideas for possible decisions Ministers could take on agriculture. One member stated that the Ministers could establish, under an appropriate umbrella in the GATT, a Group on non-tariff measures, with particular reference to those on agricultural products. This Group would review systematically, on the basis of the inventory of non-tariff measures, the justification for these measures in terms of the GATT, with the aim of bringing these measures under equitable GATT disciplines, including such further disciplines as may be developed in the Group. The member also proposed that Ministers could note that voluntary export restraints and orderly marketing arrangements are trade restrictions proscribed by Article XI:1 and that they must be brought under the GATT's safeguard system. His delegation believed that Ministers should call for a review, to be carried out within a specified period, of the application of Article XVI as provided under paragraph 5 thereof; i.e., to

review the provisions of Article XVI "with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of this Agreement and avoiding subsidization seriously prejudicial to the trade or interests of contracting parties". Ministers could also decide to implement some effective limitation on the use of export subsidies on agricultural products pending completion of this review.

57. Certain members stated that they welcomed the above proposals as an important contribution but noted that they must be considered in greater detail before members could agree to them.

58. Another member proposed that the Ministers should note the danger of allowing the status quo to continue and of having problems remain unresolved. They should come up with a programme within a specified time-frame, e.g., eighteen months to two years, which would address the following issues:

- (a) How to redress the current imbalance in GATT obligations among various countries;
- (b) How to bring direct and indirect subsidies affecting agricultural exports under greater international discipline;
- (c) How to provide a greater degree of predictability in the terms of access given the widespread prevalence of import quotas and variable levies.

The member also suggested that Ministers commit themselves to meet within a specified period to review the progress made in resolving the problems in the agricultural sector.

59. Some members repeated positions that had been expressed in the previous meeting. One speaker stated that there should be a better application and observance of existing rules and procedures of the GATT, especially as regards notification. The second concern should be to examine and to define rules for commercial practices that had developed over the last twenty years, which were not covered or were covered only in an allusive manner by the GATT.

60. Another speaker emphasized that there had to be a dynamic stability and transparency of the international agricultural market. The rules of the GATT should be fully respected, generally applied, universally accepted and rigorously interpreted in the same way by all.

61. Certain members highlighted the fact that agriculture was a prominent part of the economic activities of developing countries. The concerns of developing countries, especially those which had established export infrastructures, needed to be given attention in any reordering of international trade.

62. As regards dispute settlement, one member stated that his delegation was prepared to explore possibilities for improving the system in order to encourage contracting parties to undertake appropriate remedial action. One member thought that there should be a time-limit imposed and that contracting parties should be actively involved during the panel process. Another member did not exclude the possibility of improving a few details regarding the dispute settlement procedure, but considered that essentially there was nothing more to be done than complying with the rules. One speaker believed that dispute settlement procedures were functioning well, though others might have a different opinion after seeing a panel not condemn a party they thought should be condemned.

63. The Chairman concluded that the suggestions put forth by the secretariat had stimulated a useful dialogue within the Group. Members had been unanimous in considering that agriculture should figure prominently on the Ministerial agenda. It was agreed that the two documents - CG.18/W/68 and CG.18/W/59/Rev.1 - would be transmitted to the Preparatory Committee for information. The documents had been prepared by the secretariat under its own responsibility and remained so. The minutes of the Group's discussion on this agenda item would also be transmitted to the Preparatory Committee for information. Between now and the next meeting of the Group in July, the secretariat would work on the elaboration of a draft work programme on agriculture, in consultation with interested delegations. This draft work programme would be presented to the Group and discussed at its next meeting, and if approved by the Group, would be submitted to the Preparatory Committee as the Group's contribution to preparations for the Ministerial session with regard to agriculture. The Chairman recalled that decisions about the shape and content of the Ministerial session would be taken in the Preparatory Committee and ultimately approved by the Council.

Item 4. Other business

64. It was agreed that the Group's next meeting should be held on 7-9 July 1982.