

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Fortieth Session

SUMMARY RECORD OF THE EIGHTH MEETING

Held at the International Labour Office,
on Friday, 30 November, at 12 noon

Chairman: Mr. H.V. Ewerlöf (Sweden)

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Report of the Council (L/5734 and Add.1), continued

Point 31(a)(iii) Report of the Committee on Budget, Finance and
Administration

The CONTRACTING PARTIES adopted the report of the Committee on Budget, Finance and Administration (L/5699), including the recommendations contained therein, and the Resolution on the expenditure of the CONTRACTING PARTIES in 1985 and the ways and means to meet that expenditure.

Point 1 Work Program resulting from the 1982 Ministerial Meeting

The CHAIRMAN said that the results of the informal consultations on some points in the Work Program would, in his view, make it possible for the CONTRACTING PARTIES to complete their consideration of that part of the Council's report.

Mr. LUYTEN (European Communities) said that the 1982 Ministerial Declaration had confronted all contracting parties with the challenge to resist protectionist pressures and to conduct trade policy in accordance with GATT rules. The Community was among those which, while agreeing to ambitious goals, had cautioned against making excessive commitments which very possibly could not be attained, and had thus felt obliged to make a specific statement at the conclusion of the Ministerial meeting (SR.38/9, pages 3-6). The Community believed that it had lived up to the undertaking given in 1982. Despite almost irresistible pressure at times to protect different segments of its market, the Community had taken additional measures only in a few isolated cases during the past two years. He wondered whether all those who had pleaded in 1982 for an absolute halt to protectionist measures could now claim that they had honoured their undertakings. Concerning the roll-back of protectionism, the Community had taken the initiative to call for a generalized acceleration of Tokyo Round tariff cuts; even

though this condition had not been fulfilled, the Community had decided to advance the 1986 tariff reductions as soon as its main trading partners had undertaken comparable action. Furthermore, the Community had contributed positively to the work of the Group on Quantitative Restrictions and Other Non-Tariff Measures by calling for a significant effort by all towards eliminating and/or liberalizing such measures. The Community was now ready to propose elimination or liberalization of 26 quantitative restrictions maintained in eight member States and affecting products of particular interest to developing countries. In the spirit of the Group's conclusions, the Community looked forward to contributions by its partners in the Group by April 1985. Referring to a number of requests put to the Community in the context of work on tropical products, concerning internal fiscal taxes applied by certain member States, he had been authorized to reaffirm the commitments given during or since the Tokyo Round by some member States, either not to increase the minimum level of such taxes in the future or to consider the problem in a sympathetic manner. Moreover, on 29 November 1984 the Community's Council of Ministers had adopted the Regulation governing the Community's GSP scheme for 1985, incorporating a number of further improvements in country quotas and ceilings. In the industrial sector, the products concerned included plywood and textiles. In agriculture, progress in the GSP had been made in fisheries and there had been an improvement in the preference margin for raw tobacco, a product included in the recent consultations on tropical products. Although the improvements for 1985 were relatively modest, they reflected the Community's policy of continuing to improve its GSP benefits in accordance with its international undertakings. He added that the Community had very recently agreed with 64 African, Caribbean and Pacific countries to renew and improve the Lomé Convention for a further period of 5 years; in particular, the new Convention would comprise more favourable Stabex and Sysmin Systems and strengthen the financial support provisions.

The CONTRACTING PARTIES then turned to the consideration of elements in the Work program.

- Safeguards

The CHAIRMAN noted that the Council Chairman's report on the consultations concerning safeguards had been circulated in MDF/4. In paragraph 14 of that report, the Council Chairman had recommended "that the work directed towards a comprehensive understanding be continued, taking into account the present report, and brought to a completion as rapidly as possible".

The CONTRACTING PARTIES agreed to the recommendation in paragraph 14 of MDF/4.

Mr. HARAN (Israel) pointed out that paragraph 6 of the Note by the Director-General (Annex to MDF/4) had drawn attention to the fact that a number of GATT provisions permitted the imposition of trade measures which would otherwise be prohibited under the rules, including the provisions of Article VI. He said that there were other relevant provisions, particularly Article XXIV. He stressed that Article XIX was not one of the Articles specifically exempted from the rules applying to free-trade arrangements, but did not wish to draw any conclusion from this omission. On the other hand, he emphasized that the elements mentioned in paragraph 13 of the Director-General's Note did not refer to free-trade arrangements negotiated under Article XXIV. Under these circumstances, Israel could not consider any understanding reached on the basis of the elements in the Director-General's Note as "comprehensive" in the sense that it would apply automatically to all situations where Article XIX was involved.

- Dispute settlement procedures

The CHAIRMAN noted that the Council had forwarded L/5718/Rev.1 for consideration by the CONTRACTING PARTIES.

The CONTRACTING PARTIES adopted the proposal in L/5718/Rev.1, and agreed that the proposals by Canada (L/5720) and Nicaragua (L/5731) be referred to the Council for any appropriate action.

Mr. LUYTEN (European Communities) said that his delegation approved L/5718/Rev.1 on the understanding that the text of that document neither directly nor indirectly affected the framework of dispute settlement from the institutional point of view, as defined by the 1979 Understanding (BISD 26S/210) and by the 1982 Ministerial decision (BISD 29S/13). The Community considered that L/5718/Rev.1 simply introduced certain procedural improvements to that framework.

Mr. HAMZA (Egypt) reiterated his delegation's concern that the multilateral conciliatory rôle in GATT's dispute settlement mechanism should be made more effective.

- Trade in Agriculture

The CHAIRMAN noted that the Council had agreed to forward the recommendations in L/5732 for consideration by the CONTRACTING PARTIES. The Council had also taken note of a report (L/5733) which the Chairman of the Committee on Trade in Agriculture had submitted on his own responsibility.

The CONTRACTING PARTIES adopted L/5732 and the recommendations therein.

Mr. LUYTEN (European Communities) emphasized that the results of the Committee's deliberations represented a balanced program of work which would have to be considered globally. Therefore, it would be inappropriate to try to extract one or another element from that program and deal with it separately. Such an approach might put at risk a compromise solution which had been reached only with great difficulty.

- Quantitative restrictions and other non-tariff measures

The CHAIRMAN noted that the Council had agreed to forward the report of the Group on Quantitative Restrictions and other Non-Tariff Measures (L/5713) to the CONTRACTING PARTIES.

The CONTRACTING PARTIES adopted the Group's report, including the recommendation that its mandate be extended to allow it to make a report, with its findings and conclusions, for consideration by the CONTRACTING PARTIES at their next session.

Mr. TRAN (European Communities) expressed concern that the US Government had decided unilaterally to prohibit, as from 29 November 1984, imports of steel pipes and tubes from the Community for the rest of 1984. This protectionist move was all the more regrettable because the US International Trade Commission had formally decided in July 1984 that the Community's exports of pipes and tubes were causing no injury to the US steel industry. His authorities wanted to know what had happened in the United States since July to justify a ban on the Community's exports of these products, and also wanted to know, in due course, under which GATT provisions the United States would justify this action. The Community noted that, contrary to well-established GATT practice, shipments under way were not exempted by the ban. The Community expected the United States to notify the measure promptly to GATT. The Community would request consultations with the United States on this issue and reserved its GATT rights.

Mr. MURPHY (United States) said that his authorities were discussing this issue intensively with the Community.

- Tariffs

The CHAIRMAN said that there was no document before the CONTRACTING PARTIES dealing with tariffs under the Work Program. He noted that the report of the Chairman of the Committee on Tariff Concessions (TAR/87) had been included in the part of the Council's Report covering non-Work Program points, and recalled the statement made by the observer from the Customs Co-operation Council concerning the Harmonized System (SR.40/5).

He further noted that there had been a request that the Committee on Trade and Development be asked to examine questions relating to tariff escalation and the trade of developing countries.

The CONTRACTING PARTIES agreed to this request.

- MTN Agreements and Arrangements

The CHAIRMAN noted that the Council had approved the text of C/W/456 and had agreed to forward it to the CONTRACTING PARTIES for consideration.

The CONTRACTING PARTIES adopted the proposal in C/W/456, substituting "CONTRACTING PARTIES" for "Council" in the initial paragraph.

Mr. TRAN (European Communities) said that his delegation supported adoption of the proposal in C/W/456. However, he wanted to make clear that his delegation had questioned the usefulness of the procedures in that text and had only accepted them out of respect for the long-standing concerns of the Community's developing country trading partners.

Mr. HAMZA (Egypt) thanked those contracting parties which had offered ideas and compromise proposals on this subject.

- Structural Adjustment and Trade Policy

The CHAIRMAN noted that the Council had agreed (1) to adopt the report of the Working Party on Structural Adjustment (L/5568), together with the recommendation contained in paragraph 47 asking relevant GATT bodies to take into account the insights gained and the conclusions reached in the Working Party. The Council had also agreed (2) that informal consultations should continue on the further work that might be done in this area and on the question of establishing a specific body for that purpose; (3) that the Canadian proposal in C/W/454, and any other proposals received, should be taken into account; and (4) that the Council would revert to this question after the present session.

- Trade in Counterfeit Goods

The CHAIRMAN noted that a draft text on trade in counterfeit goods had been circulated in W.40/8.

The CONTRACTING PARTIES adopted the text.

- Export of Domestically Prohibited Goods

The CHAIRMAN noted that the Council had approved the text of the draft airgram in C/W/457, and had agreed to forward it to the CONTRACTING PARTIES for consideration.

The CONTRACTING PARTIES agreed that the airgram should be issued in early December.¹

¹ See GATT/AIR/2087.

- Textiles and Clothing

The CHAIRMAN noted that in its Progress Report (L/5709) to the November 1984 Council meeting, the Working Party on Textiles and Clothing had stated that "the Council may wish to consider an extension of the mandate of the Working Party for such further period as would permit it to make a more complete report to the Council and the CONTRACTING PARTIES".

The CONTRACTING PARTIES adopted the Working Party's Report (L/5709) and agreed to extend the mandate of the Working Party for such further period as would permit it to make a more complete report to the Council and the CONTRACTING PARTIES.

Mr. MURPHY (United States) referred to the statement made earlier in the session by the representative of Pakistan, on behalf of developing country exporters of textiles and clothing (SR.40/2, page 4), and to the statement by his delegation that the United States might want to respond in writing to some of the points made. He said that the US response had been sent to the Secretariat with the request that it be circulated.

- Problems of Trade in Certain Natural Resource Products

The CHAIRMAN noted that the Council had agreed to forward the progress report by the Chairman of the Working Party on Trade in Certain Natural Resource Products (MDF/3) to the CONTRACTING PARTIES for consideration.

The CONTRACTING PARTIES took note of the progress report.

- Exchange Rate Fluctuations and their Effect on Trade

The CHAIRMAN noted that a draft proposal on this subject had been circulated in W.40/3.

The CONTRACTING PARTIES adopted the proposal in W.40/3.

- Services

The CHAIRMAN noted that draft agreed conclusions on this subject had been circulated in W.40/7.

¹ See L/5743.

Before proposing the conclusions for adoption, he made the following statement:

"Nothing in these agreed conclusions shall be interpreted as prejudicing the rights or positions of any contracting party in these matters nor as prejudging the consideration by the CONTRACTING PARTIES of whether any multilateral action in these matters is appropriate and desirable."

The CONTRACTING PARTIES took note of this statement, and adopted the agreed conclusions in W.40/7.

The CHAIRMAN then made the following statement:

"With reference to the arrangements just agreed by the CONTRACTING PARTIES, which provide for the organization of the exchange of information on issues in the sector of services, it is understood that:

"In addition to servicing and keeping records of meetings, the Secretariat would prepare an analytical summary of national examinations together with information made available by relevant international organizations and a summary of issues raised in the exchange of information. Concurrently, the Secretariat would propose a format, for the compilation and distribution by it of the information exchanged among contracting parties, to be progressively elaborated in order to make it as uniform as possible.

"It is also understood that the Secretariat could, on an agreed basis, undertake additional tasks as required."

The CONTRACTING PARTIES took note of this statement.

Mr. LECHUGA (Cuba) said that his delegation joined in the consensus to approve W.40/7. However, Cuba continued to consider that the question of services was outside GATT's competence, and he noted that this view had been agreed by the Council of the Latin American Economic System (SELA). He said that the negotiations on this subject during the session had been carried out in a climate of threat and pressure by the US delegation, which had included a press campaign against the GATT.

Mr. MURPHY (United States) said that his delegation had neither threatened nor waged a press campaign against GATT. Statements carried in the press simply bore witness to the fact that an open press existed.

Mr. TRAN (European Communities) said that the agreed conclusions which the CONTRACTING PARTIES had just adopted were aimed at dispelling mistrust and at building confidence.

- Dual Pricing and Rules of Origin

The CHAIRMAN noted that it had been agreed that a proposal on the subject of rules of origin should be pursued in the Council.

- Aspects of Trade in High-Technology Goods

The CHAIRMAN recalled that at the thirty-eighth session of the CONTRACTING PARTIES the question of aspects of trade in high-technology goods had been referred to the Council for further action.

He noted that, as the Council Chairman had already indicated (SR.40/7), this issue remained unresolved and might be pursued further in the Council.

He then invited any further general comments on the Work Program and under Item 2 - Activities of GATT.

Mr. RANTANEN (Finland, on behalf of the Nordic countries) said that the Nordic countries did not under-estimate the progress that had already been made on the Work Program, but considered that the CONTRACTING PARTIES should recognize that more progress had to be made on outstanding questions so that GATT could maintain its position as the main forum for international trade negotiations. The CONTRACTING PARTIES had before them two different sets of tasks which formed a whole. First, they had to implement and further elaborate those parts of the Work Program where progress had been made and where new guidance had been agreed. The Committee on Trade in Agriculture would continue its work on the basis of the Ministerial Declaration and the recommendations agreed in L/5732. The Group on Quantitative Restrictions and Other Non-Tariff Measures would also continue its work with the aim of liberalizing such restrictions and measures. On other questions work had started, but results had not yet been achieved; one of the most important issues in this category was safeguards, where much further work was still needed before the Ministerial mandate was fulfilled. Second, the CONTRACTING PARTIES would have to address some important issues related to GATT's future rôle, including trade in services and counterfeit goods. More work was needed on these issues to enable the CONTRACTING PARTIES, at a later stage, to make decisions on GATT's future rôle in these fields. The CONTRACTING PARTIES would have to ensure that GATT continued to provide a forum for negotiations and consultations and that it was able to respond to new challenges. He said that the Nordic countries appreciated the need to focus on the particular problems of developing countries in GATT's future work. The acute balance-of-payments problems of several developing countries might have serious implications for the trading system and should therefore be taken into account. Improved market access for developing countries, especially the least developed among them, would contribute greatly to the expansion of trade and the servicing of external debts. The CONTRACTING PARTIES would have to address the issue of better integration of developing countries into the trading system. However, an open and constructive dialogue among all contracting parties was needed before actual negotiations in this area could be launched. The Nordic countries were prepared to participate with open minds in such a dialogue. The implementation of the Work Program would logically lead to a wider platform for negotiations. It was already evident that many

problems included in the Program could not be solved in isolation without negotiations and proper balance between different elements. The Program could thus serve as a useful first step towards a new round of negotiations. However, before formally entering into wider negotiations, the CONTRACTING PARTIES would have to get a better picture of what such a new round could offer to all participants. In order to secure a solid basis for future negotiations, all contracting parties would have to be involved. An open discussion was necessary on the expectations of different countries as to the future of the multilateral trading system and the possibilities of improving this system to make it capable of facing future challenges. Consequently, it was important that all countries make their voices heard when discussing the rôle, timing and contents of a new round of trade negotiations. He added that much of the discussion related both to ongoing GATT work and to future orientations in international trade policy had taken place outside GATT's institutional framework. Such discussions could play a useful rôle in providing political impetus to GATT's work, but it was obvious that informal meetings with limited participation could never replace regular GATT bodies. 1985 would be a very important year for GATT. A joint effort, based on the principle of consensus, was needed to strengthen the trading system, together with evidence of political will among governments to implement their commitments. The Nordic countries did not exclude the possibility of an early assessment by the CONTRACTING PARTIES of the implementation of the Work Program and of what further action might be appropriate.

Mr. JARAMILLO (Colombia) endorsed the statement by the representative of India on behalf of developing contracting parties (L/5744) which covered all of Colombia's concerns relating to implementation of the Work Program. More progress was required, particularly on those matters covered in the report of the Committee on Trade and Development (L/5735), such as the need for developed countries to improve market access for developing country exports of tropical products. His delegation had noted with satisfaction the statement by the representative of the European Communities (SR.40/8, pages 2-4).

Mr. VILLARAN (Peru) said that it had been clear in the consultations on Part IV held during 1984 with the European Economic Community, the United States and Japan, that the undertakings and principles of Part IV were not being applied uniformly. In some sectors, such as textiles, there had been a tendency to intensify restrictive measures that distorted the objectives of Part IV. The Community had shown itself less restrictive, and Japan was showing signs of becoming more flexible, even though greater efforts could still be made to liberalize products and areas of interest to developing countries. In general, the consultations had made clear that progress had corresponded more to normal developments in international trade than to any intention to implement Part IV as a whole. Peru believed that these consultations should be held regularly as an integral part of the Committee on Trade and Development's review of implementation of Part IV. Turning to tropical products, he said that after three series of consultations, his delegation considered that work in this area

should continue with appropriate negotiations. This exercise should be carried out within the framework of paragraph 5 of the Enabling Clause (BISD 26S/203) and of Article XXXVI:8, in the sense that developing countries could not make contributions inconsistent with their development, financial and trade needs. These negotiations should take place within GATT's current Work Program. He went on to say that the results of two years of intensive work in the Group on Quantitative Restrictions and Other Non-Tariff Measures had been modest. Peru hoped that developed countries would make specific proposals before the end of April 1985 for eliminating quantitative restrictions and other non-tariff measures, so that this matter could be properly addressed. Regarding the adequacy and effectiveness of the MTN Agreements and Arrangements, and of obstacles to their acceptance by the parties concerned, he expressed his delegation's concern that two years after the 1982 Ministerial Declaration, examination of this issue had only recently begun. Regarding structural adjustment and trade policy, he said that Peru considered Canada's proposal (C/W/454) to be useful. On textiles and clothing, he said that throughout 1984 the developing countries had been affected by a series of US protectionist measures, and at the November Council meeting had learned that the United States was blocking the consensus necessary for the Working Party to continue its work without interruption; Peru deplored this attitude and hoped that flexibility and the will for dialogue would prevail. Concerning trade in certain natural resource products, his delegation believed that 1985 should see an intensified examination of problems that had been identified by various delegations with a view to seeking possible solutions. On the question of services, his delegation reaffirmed Decision 192 by the Council of the Latin American Economic System (SELA); the framework for this matter had been defined in the 1982 Ministerial Decision (BISD 29S/21), and it was therefore premature to consider further work while points 1 and 2 of that Decision had not been fully implemented. Furthermore, Peru considered it important that services should be examined from the perspective of development, and not solely from the trade perspective. Turning to dispute settlement procedures, he noted that worthwhile efforts were being made to improve the mechanism to make it more effective; however, Peru was concerned that some major contracting parties, knowing that it was difficult for developing countries to retaliate, were refusing to implement panel recommendations. This was unacceptable, since it implied returning to the time when the rule of the strongest prevailed in international trade; such an attitude impaired GATT's credibility. Peru believed that effective operation of dispute settlement procedures was vital to GATT's proper functioning, and thus supported the proposals put forward by Canada (L/5720) and Nicaragua (L/5731).

Mr. MURPHY (United States) commended Mr. Jaramillo, Chairman of the Council, for his efforts in advancing implementation of the Work Program through the intensive informal consultations held during the session.

Contracting parties applauded this statement.

Mr. TRAN (European Communities) said that Mr. Jaramillo had been an exemplary Council Chairman.

The CONTRACTING PARTIES then adopted the part of the Council's report covering the Work Program (L/5734/Add.1).

Mr. SHUKLA (India) referred to his statement on behalf of developing contracting parties (SR.40/5 and L/5744). He said that this statement, apart from reiterating the perceptions of the developing countries on the nature and pace of implementation of the Work Program, had focused on the commitments undertaken by contracting parties in paragraph 7(i) of the Ministerial Declaration and had lamented the lack of effort by major trading countries to observe those modest provisions. Developing countries had specifically proposed that the best endeavours clause incorporated in the words "to make determined efforts" should be replaced by a genuine resolve to properly address the problems of all contracting parties, particularly the less-developed ones, and to urgently find solutions for those problems. The statement by the representative of the European Communities (SR.40/8, pages 2-4) was a pointer in the right direction. What was now required was not pro forma monitoring but genuine implementation of the commitments in paragraph 7(i). The developing countries would revert to these and other matters in L/5744 during future Council meetings. *"

Mr. ENDO (Japan) said that his delegation was pleased to see that the efforts by all parties concerned had produced positive results covering all items of the Work Program. This was an encouraging achievement. His delegation expressed appreciation to the Chairman of the CONTRACTING PARTIES, the Chairman of the Council and the Director-General for their efforts. In the coming months, further accelerated elaboration of each major element in the Program was indispensable if the Program was to be made as effective as possible. Such further elaboration would envisage resolution through negotiations on the issues involved.

Mr. HAMZA (Egypt) endorsed the statement by the representative of India and noted with appreciation the statement by the representative of the European Communities.

Study Group

Mr. HAMZA (Egypt) asked the Director-General for information on the work of the Study Group whose establishment had been notified to the thirty-ninth session (SR.39/2, pages 22-24).

Mr. DUNKEL (Director-General) said that the Group was on schedule and intended to publish early in 1985 a short, readable, persuasive and action-oriented report. Developments over the past year had confirmed his belief that there was a real need for a report of this kind, which would look at problems in the trading system from a distance and a perspective not available to national or international officials engaged in day-to-day work and negotiations on trade policy.

The meeting adjourned at 1 p.m.