

SENIOR OFFICIALS' GROUP

Record of Discussions

Note by the Secretariat

1. The Group of Senior Officials, established by the Decision of 2 October of the CONTRACTING PARTIES (L/5876), instructed the secretariat to issue summary records of the Group's discussions.

2. At the meeting of the Group on 12 November, the Chairman stated his understanding that the record would cover only substantive discussions, and noted that most of the Group's discussions after the meeting of 1 November had covered points of procedure.

3. These summary records are accordingly being issued by the secretariat under the symbol SR.SOG/- as follows:

SR.SOG/1	14 October	SR.SOG/7	30 October (first part)
SR.SOG/2	15 October	SR.SOG/8	30 October (second part)
SR.SOG/3	16 October	SR.SOG/9	31 October (first part)
SR.SOG/4	22 October	SR.SOG/10	31 October (second part)
SR.SOG/5	23 October (first part)	SR.SOG/11	1 November (first part)
SR.SOG/6	23 October (second part)	SR.SOG/12	1 November (second part)

Substantive points made at the meeting of 8 November will be included in SR.SOG/11.

4. During the discussions, a number of delegations referred to explanations of their positions given in written communications and statements<sup>1</sup> with regard to the proposed new round of multilateral trade negotiations. Reference was also made to relevant statements in the Council debates on 5-6 June and 17-19 July 1985 (C/M/190 and C/M/191, respectively) and in the special Session of the CONTRACTING PARTIES held on 30 September - 2 October 1985 (4SS/SR/1-5).

5. Some delegations stated in the Group that they had frequently refrained from intervening in the discussions because they felt that their positions had been adequately set out in the communications, statements and records referred to in paragraph 4 above, or had been expressed by another delegation, or because they had reserved their right to revert to some of these matters at a later stage in the preparatory process.

6. Two copies of these summary records will be issued to each contracting party. Further copies will be available on request.

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<sup>1</sup>These communications and statements are: Developing countries L/5647 and L/5744, 24 Developing countries L/5818 and Add.1, ASEAN countries L/5848, Australia L/5842, Austria L/5849, Brazil L/5852, Canada L/5834 and L/5836, Chile L/5850, EFTA countries L/5804, European Communities L/5835, Jamaica (informal paper circulated to the Group), Japan L/5833, Korea L/5851, New Zealand L/5831, Nordic countries L/5827, Switzerland L/5837 and L/5883 (originally issued as Spec(85)52), United States L/5838 and L/5846.

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SENIOR OFFICIALS' GROUP

### Record of Discussions

#### Discussions on 1 November (first part)<sup>1</sup>

The Chairman said that as agreed the Senior Officials Group would discuss the possible modalities for the proposed negotiations. Once this discussion had been completed the Group could carry out a general evaluation of the discussions and consider the format of the report to be prepared by the secretariat. The discussion on modalities of the negotiations could not be structured in the same manner as the earlier discussions concerning the subject matter for the negotiations. Nevertheless, a number of statements had already touched upon the question of modalities for the negotiations in connection with standstill, rollback, treatment and contribution of developing countries, etc., and those points which already had been noted by the secretariat did not need being repeated. The discussion might, therefore, begin with standstill, rollback, treatment and contribution of developing countries, participation in the new round, etc.

The representative of Japan said that his delegation would be flexible on the question of modalities for the negotiations. This issue which should be discussed further and finalized in the Preparatory Committee to be established by the CONTRACTING PARTIES in November had been referred to in a preliminary manner in document L/5833. The following points needed some elaboration. First, it would be desirable to reach a consensus prior to the launching of the negotiations on the time scheme for the negotiations with a final target date for their conclusion established within the limits of common sense. Second, the results of the negotiations would constitute a whole package and the negotiations should be considered as one undertaking. In principle, all negotiation items should be dealt with simultaneously, but it might be necessary to work out the appropriate procedures for the negotiations taking into account the different degrees of maturity of various items. His delegation would like participation by as many developing and developed countries as possible. His delegation's position on standstill and rollback had been made clear during the discussion of the subject matters. These issues should be discussed further in the Preparatory Committee. Moreover, the modalities should be discussed in-depth and finalized in the Preparatory Committee. The Preparatory Committee should have the Spring of 1986 as the target date for the finalization of the preparatory process.

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<sup>1</sup> A statement made on 8 November on one topic covered in this document is also included (page 18).

The representative of Brazil said that the questions of standstill and rollback were the key elements in terms of the preservation of the GATT system and for the creation of conditions which would make it possible to strengthen the multilateral trading system by a new round of trade negotiations. In his view in the deliberations in the preparatory process of the proposed new round of multilateral trade negotiations, priority attention should be given to the need for strong and precise agreement in both these areas. As a modality for standstill, and for a decision to be possible on the setting up of a Preparatory Committee for the proposed new round of multilateral trade negotiations, a firm and credible individual commitment to standstill should be required from all contracting parties. Such a commitment should be taken as a decision at the highest level, i.e. by executive order or presidential decree or by instrument of equivalent legal status. The commitment to standstill would constitute an undertaking not to introduce any new restrictive import measures of a tariff and non-tariff nature, in all sectors of trade, and not to agree with any such measures if proposed by the legislative branch of government, unless the new measures were adopted in strict conformity with the General Agreement on Tariffs and Trade, particularly with Articles VI, XII, XVIII and XIX. The individual commitments to standstill should be notified to GATT before a decision on the setting up of a Preparatory Committee for the proposed new round of multilateral trade negotiations could be taken by the CONTRACTING PARTIES. The GATT Council would be expected to establish forthwith appropriate machinery to monitor the observance of individual standstill commitments notified to GATT. Commitments to standstill would have to be supported by appropriate legislative sanction, where necessary under the national constitutional provisions, to be enacted and notified to GATT before the launching of the proposed new round of multilateral trade negotiations. As regards modalities for rollback, in his view for a proposed new round of multilateral trade negotiations to be launched a firm and credible individual commitment to rollback should be required from developed contracting parties in favour of developing contracting parties. Rollback would have therefore a preferential character which was not expected in the case of standstill. The commitment to rollback should also be taken in a decision at the highest level i.e. by executive order or presidential decree or by instrument of equivalent legal status. Where necessary under national constitutional provisions, it would require support by appropriate legislative sanction. The individual commitment to rollback could be notified to GATT at a later stage than the one on standstill, that is before a decision on the launching of the proposed new round of multilateral trade negotiations could be taken by the CONTRACTING PARTIES. The GATT Council would also be called to establish forthwith appropriate machinery to monitor the implementation of the individual commitments notified to GATT. The commitment to rollback by developed contracting parties ought to constitute an undertaking to phase-out, in accordance with a time-bound scheme not exceeding three years, all existing restrictive measures of a tariff and non-tariff nature, in all sectors of trade, applied on imports from developing contracting parties, inconsistent with the General Agreement on Tariffs and Trade or based on waivers from GATT obligations granted by the CONTRACTING PARTIES under Article XXV.

The representative of Switzerland said that the question of structure and modalities of the new round of negotiations was basically an issue to be considered in the Preparatory Committee and should be related to the resolution of the problems that had been defined in such a way as to increase to a maximum the possibilities of success. The failure of the negotiations had to be avoided as this would have serious consequences for everybody. An essential factor to be taken into account when planning for a successful outcome was the changing economic, political and trading environment in which the General Agreement was operational. In the political area the balance of power had changed, new geopolitical structures and decision-making centers had emerged. Many new States had come into being. In the economic field certain institutions and monetary and financial mechanisms had been dismantled, a system of floating exchange rates had emerged, etc. The need to fight against recession and unemployment, solve the growing debt problem and consider the effects of new technologies in the structure, mobility and division of comparative advantage would also affect the modalities. In the trade field, protectionism had become a generalized phenomenon and was on the offensive on the basis of new trade policy instruments. A new round of trade negotiations should be conducive to the updating and adaptation of the multilateral trading system to these changes and realities without putting into question the basic principles. In his view the working rules of GATT should be strengthened and improved through negotiations in order to become more effective, respected and fully operational. In document Spec(85)52 his delegation had circulated a proposal concerning the structure of the negotiations on modalities. Once delegations had a clearer idea of the objectives of the negotiations and their profile, a decision on participation in the negotiations might be adopted.

The representative of Uruguay proposed that from the date of the initiation of a new round and until its completion, contracting parties should refrain from taking any measures inconsistent with the GATT and should avoid taking those measures which although consistent with the GATT, may limit or distort international trade. This implied not adopting measures which would reduce overall existing levels of access to markets in all sectors of international trade, whether by means of tariffs or non-tariff measures. It also included subsidies on agricultural and industrial products, both in domestic as well as in third markets. As a requisite for a new round, and considering that it was not appropriate to enter into negotiations while measures inconsistent with the GATT were being applied, the contracting parties which applied such measures should undertake to eliminate them. Such rollback should be agreed among the contracting parties participating in the negotiation and should be carried out as follows: (a) on the date of the initiation of a new round, for a list of measures which represent a substantial portion of those to be included in this program; and (b) according to a fixed-date gradual programme, for the remaining measures. In no case should the new round be finalized, unless this programme had been completely implemented. The rollback of such measures by the contracting parties which applied them should not require any compensation or concession from the remaining

contracting parties. In order to contribute to a rapid process of liberalization of international trade and to the success of the new round, each contracting party should undertake to adopt all necessary measures to rollback those restrictions which, although in conformity with the provisions of the General Agreement, had the effect of restricting access to its market or creating a distortion in the flows of international trade. The commitment on standstill and rollback should be governed by rules which ensure its absolute transparency and close surveillance. Therefore, the Council or some other suitable body would be entrusted with the permanent surveillance of and compliance with this commitment. For that purpose it should rely on the information supplied by the contracting parties, as well as on the documentation made available to it by the secretariat which, in addition to the notifications received from each contracting party, should use any other source in order to provide the participating countries with the maximum information available. In the observance of the commitment on standstill and rollback the agreed principles on differential and more favourable treatment for the developing countries and those regarding safeguard measures adopted for developing reasons should remain fully applicable. These principles should be taken into account particularly in those cases in which for special and compelling circumstances created by their development needs, these countries may be forced to adopt measures as necessary.

The representative of Turkey said that participation in a proposed new round should be as large as possible. This would require that subjects of interest to all participants, whether industrialized or developing, be taken up in the proposed new round with the same priority. His delegation hoped that a new round would permit trade liberalization for sectors in which developing countries had a particular interest. As a new round could not take place in an atmosphere of continued protectionist measures, his delegation urged the developed countries which had followed such policies to commit themselves to standstill. He supported the views already put forward for a convincing adherence by the industrialized countries to the principle of differential and more favourable treatment for developing countries. The General Agreement had been turned upside down, since the principle of non-reciprocity had been set aside and developing countries' exports had been curtailed by the protectionist policies of their developed trading partners. Developing countries needed assurances that such policies would be terminated as part of a new round and that no new measures contrary to the General Agreement would be adopted.

The representative of Argentina said that this was a very crucial stage in the discussions which might lead to decisions one way or another with respect to the proposed negotiations. It was necessary for the contracting parties to stop protectionism by a standstill, and then to start rolling back - in particular all those measures which were distorting international trading and economic relations. He could not agree with delegations that said that the possible Preparatory Committee would continue analyzing the problem of standstill and rollback. Prior to any other stage of activities in the field of negotiations a standstill, with respect to measures contrary

to the General Agreement, should be implemented as had been proposed by the representative of Brazil. All contracting parties, be they developed or developing should undertake not to introduce new illegal measures. This commitment should be a decision taken at the highest level - by presidential decree, according to the system of the country, or legislative action, whenever this was necessary. Consequently, only trade restrictive measures consistent with the General Agreement in particular Articles VI, XII, XVIII and XIX would be permitted. This standstill should be applied to textiles as well as to subsidies in the agricultural sector. These commitments should be notified to the GATT secretariat before setting up a Preparatory Committee for the suggested new round. An appropriate organ would monitor the implementation of the standstill commitment. In the field of rollback, the developed countries should assume a commitment, an undertaking, from the very beginning to dismantle grey area measures and other restrictions inconsistent with the General Agreement. He supported the views put forward by Brazil in this respect. Rollback would also require notification, monitoring, surveillance, transparency and control by an appropriate body to be determined within the GATT system.

The representative of India said that standstill was a technical prerequisite of any negotiation. In order to engage in serious negotiations, and strengthen the multilateral trading system a commitment to standstill was a prerequisite. Since standstill commitments had been taken in the past and honoured more in the breach than in compliance, this time the commitment should come not in the form of a rhetorical reaffirmation but in an overt and precise form to be credible. This commitment should be undertaken before the decision on the setting up of the Preparatory Committee could be reached. Such a commitment should also come from the highest level, as had been proposed by Brazil. As regards the content of the commitment, he was broadly in agreement with the approach taken by Brazil. No new restrictive import measures would be introduced, except in accordance with the General Agreement, particularly Articles VI, XII, XVIII and XIX. Such a commitment should be effective as from 2 October 1985, the date when the Decision to establish the Senior Officials Group had been adopted. A standstill commitment would have to apply to trade in textiles and clothing and any new restrictive measures in this area would have to conform fully to the provisions of the General Agreement. The question of notification of such commitments was important. The GATT Council should establish appropriate machinery to monitor the observance of individual standstill commitments notified to GATT. Commitments to standstill would have to be supported by appropriate legislative sanction, where necessary under the national constitution, to be enacted and notified to GATT before the launching of the proposed new round of negotiations. As regards rollback, he agreed that the commitment in regards to rollback would have to be viewed at a somewhat different level. A formal credible individual commitment to rollback would have to come before the proposed negotiations were launched. There should be proper monitoring for the implementation of such individual commitments and appropriate machinery would have to be established by the Council. The commitment to rollback by the developed contracting parties should constitute an undertaking to phase out, in accordance with a time-bound scheme, not exceeding three years, all existing restrictive measures applied to developing contracting parties, which are inconsistent with the General Agreement on Tariffs and Trade.

The representative of Egypt endorsed the Brazilian approach in respect of standstill and rollback. A firm and individual commitment to standstill was required from the contracting parties. This commitment should be an undertaking not to introduce any new restrictive import measures, unless these measures were in conformity with the General Agreement, in particular Articles VI, XII, XVIII and XIX. The standstill would have to apply especially to textiles and clothing. The standstill should be notified to GATT before a decision on the setting up of a Preparatory Committee for a proposed new round of negotiations was adopted. The GATT Council should monitor the observance of the individual standstill commitments. With regard to rollback, he supported the views of Brazil, Argentina and India. Before the proposed negotiations were launched a firm commitment to rollback was required from developed countries. This commitment should be taken in a decision at the highest level notified to GATT. The GATT Council should establish appropriate machinery to monitor implementation of the individual commitments notified to GATT. Recalling paragraph 8 of the Tokyo Declaration which said that the negotiations would be considered as one undertaking and that the various elements of the negotiations would move forward together, he expressed reservations on the convenience of maintaining in the new negotiations this modality which had been proposed by the representative of Japan. The history of past negotiations indicated that this modality which implied that everything was linked together could hinder progress in certain sectors. For instance, the question of safeguards had been outstanding for so long a time that in and of itself represented a sector where progress should be achieved rapidly. Separate progress might also be attained in the areas of tariff and non-tariff measures. In his view the early completion of successful results even piece by piece, or sector by sector, should be the guiding principle in this respect.

The representative of the United States said that every effort had been made since the Council meetings and the Special Session of the CONTRACTING PARTIES to have discussions without any kind of preconditions. It had taken a long time to come up with possible formulae to do this. The Decision of 2 October 1985 called, in his view, for a discussion of the proposed negotiations in the Senior Officials Group without any kind of preconditions. Consequently, he was very disturbed by what he had heard at this particular point in time. The Senior Officials Group had already been through the question of standstill and rollback and many delegations had made statements. Certainly in the Preparatory Committee his delegation was prepared to work further on this issue, which was very important to everyone. After all the objective of the GATT, was to liberalize trade and expand trade. GATT consisted of some ninety contracting parties and all countries had certain obligations, not just some countries. The events that had been happening over the last two years should be an incentive to commence negotiations aimed at expanding and liberalizing trade. This process would not be easy. Different countries had different interests. Everyone should understand that his delegation would not be interested in participating in negotiations on the basis of preconditions. However, his delegation was ready to move to the next step. He suggested leaving aside the period of analysis and looking in good faith for positive and constructive solutions.

The representative of the European Communities said that he understood the concerns of the United States. Notwithstanding a very determined commitment in favour of a new round of negotiations, the Communities were flexible on the question of modalities for the negotiations. He could understand those developing countries who had referred to the experience of previous commitments, laid down conditions and requested the setting-up of surveillance mechanisms and so forth. Perhaps this meant that they were doubtful and unhappy and felt powerless. The Communities had stated time and time again that standstill and rollback, in addition to liberalization of trade, were three essential elements of one chain. This was not a precondition but rather an environment which would be conducive to effective negotiations for trade liberalization. For their part, the Communities did not insist on any prerequisites for the negotiations except one. As set out by the Council of Ministers of the Communities, their highest decision-making body, this prerequisite was the establishment of an adequate prior international consensus on objectives, participation and timing. This was logical: he noted in passing that they could not negotiate only with the United States even though serious bilateral problems had led recently to the adoption of measures concerning certain pasta and to the Community countermeasures. In the Communities' view, the negotiations, while global, should constitute a single entity, and be pursued over four stages. First, a preparatory process being carried out by the Senior Officials' Group, which was the beginning of a political commitment to the new round. Second, a formal preparatory mechanism reaffirming and strengthening the political commitment, i.e.: the establishment of the Preparatory Committee. Third, the launching of the negotiations proper with the establishment of the Trade Negotiations Committee, which would constitute a legal commitment. In this stage, progress should be balanced and the negotiations should proceed in parallel having regard to the priorities benefiting the developing countries. The fourth stage would record the results of the negotiations which should also be implemented in parallel having regard to the priorities agreed in negotiations with the developing countries. With respect to participation, the Communities considered that all contracting parties could take part in the negotiations provided that they wished to do so. The participation of non-contracting parties, should be considered on a case-by-case basis having regard to criteria to be agreed and in particular to the general interest of the system as a whole. He recalled that the CONTRACTING PARTIES had drawn a Work Programme for the 1980s. Consequently, the Work Programme, far from being in contradiction, was in convergence with a new round, which should be carried out with the aim of strengthening the system and liberalizing trade. The Communities wished to avoid blockages and would seek to move forward on the basis of as wide a consensus as possible in the interest of each and every participant.

The representative of Israel agreed with the European Communities that there was convergence between the Work Programme and the proposed negotiations. He recalled that the standstill and rollback were part of the Work Programme. Paragraph 7(i) of the Ministerial Declaration, inter alia, called on contracting parties to refrain from taking or maintaining any measures inconsistent with the GATT and to make determined efforts to avoid

measures which would limit or distort international trade. This was an undertaking by all contracting parties, developed and developing alike, and should be treated as such in any further mechanism which might be established. He supported the proposal that the standstill and rollback should date as from 2 October 1985. As provided in the decision of 2 October. After all, on 2 October, the CONTRACTING PARTIES had initiated the preparatory process on the proposed new round and had decided that in November a Preparatory Committee would be established.

The representative of Pakistan said that the commitment to standstill and rollback was contained in GATT so this could not be considered to be a precondition. Everybody had already agreed to this condition. Now it was only a question of fulfilling this condition. Some of the submissions made by developed countries had recognized that the modalities should contain a standstill and rollback. The Nordic countries had stated that further efforts should be made to fulfil the rollback commitments made in GATT and elsewhere. As the date of the Ministerial Declaration was 29 November 1982, those commitments might be related to that date. Basically the question was how to upgrade the Ministerial commitments concerning standstill and rollback.

The representative of Peru, in response to comments made by the representative of the European Communities acknowledged that confronted with rampant protectionism and unfulfilled commitments, her delegation felt distrust, discontent and powerless. Developing countries felt disenchanted because their rights were not being honoured and the commitments in the Ministerial Declaration had remained dead letter. These countries did not have the economic strength to be able to fight against offensive protectionist measures or resort to retaliatory measures. The commitments embodied in the Ministerial Declaration of 1982 against protectionism should be strengthened. The position of her delegation with regard to standstill and rollback had been clearly expressed in the statement of the developing countries, L/5818. With regard to modalities of the negotiations her delegation shared the views expressed by the delegations of Uruguay, Brazil and Argentina.

The representative of India thanked Israel and Pakistan for their comments on the date of the proposed standstill. In his view 2 October 1985 in the context of standstill was a reasonable point of reference. As regards rollback there was no specific date because a rollback commitment would have to relate to all the measures which are not consistent with the GATT. Therefore this commitment could not be confined to any particular date. Such a commitment should come prior to the launching of the negotiations, and there should be a programme for phase-out of such measures which might extend over the period of three years.

The representative of Brazil expressed strong disappointment with some of the reactions by developed contracting parties to his delegations' views on how the question of modalities for standstill and rollback commitments should be approached. The standstill and rollback commitments should not be considered a matter for negotiations. This was after all a simple

undertaking to apply the GATT and to respect the obligations assumed under its rules. His delegation had been surprised by the statement that one delegation would not be interested in the proposed new round if confronted with the request to comply with GATT as a pre-condition. Compliance with the GATT rules was a pre-requisite for any new round. It was not acceptable that the inclusion in a new round of items such as, services, alien to the General Agreement, was made a pre-condition for the application of GATT rules and for further trade liberalization in the areas within the jurisdiction of the GATT.

The representative of Yugoslavia was convinced that agreement on the modalities could contribute to strengthening confidence of the contracting parties that in the new round each participating country would be able to improve its own trading position. For the credibility of the proposed new round, and to obtain the broadest participation by contracting in the negotiations, it was necessary to strengthen the standstill and rollback commitments undertaken by the CONTRACTING PARTIES at the Ministerial Meeting in 1982, before proceeding to the establishment of a Preparatory Committee. Standstill and rollback, in his view, were not preconditions but prerequisites which would render the new round credible. All contracting parties should, on individual basis, undertake a firm commitment on standstill of measures inconsistent with the GATT. The CONTRACTING PARTIES should agree that the individual decision on standstill should be taken in each country at the highest level so as to avoid its impairment or nullification by other decisions. As the standstill commitment had been already undertaken, it should not be negotiated but effectively implemented. The standstill should cover all sectors of trade including textiles and agriculture. The rollback of measures inconsistent with GATT should apply to developed countries' measures which affected exports of developing countries. Before the launching of the new round a firm rollback commitment should be undertaken by developed countries. These commitments which should be adopted at the highest level should be implemented within a defined time-frame and be subject to GATT's surveillance.

The representative of Zaire said that developing contracting parties were requesting a political commitment at the highest level concerning standstill and rollback because the former commitments had not been honoured. A political commitment on behalf of the CONTRACTING PARTIES was needed before commencing the negotiations. The commitments made by individual developed countries should be notified to the GATT secretariat. Since the Special Session of the CONTRACTING PARTIES last October, his delegation had constantly requested the setting-up within GATT of an effective surveillance mechanism to make sure that commitments were fulfilled. The standstill was particularly important because some of his country's exports might soon be subject to demands for self-limitation, or be subject to quantitative restrictions, higher tariffs, etc. This request was not a prerequisite for the negotiations but a test of the political will of developed countries. His delegation expected from all contracting parties a commitment not to put into question, in future negotiations in GATT, the preferences enjoyed by the African States pursuant to the Lomé Convention.

The representative of the United States said that he would not attempt to respond to comments which had misrepresented his views. His delegation did not reject the notion of standstill and rollback. His authorities, led by the President himself, had defended the maintenance of free-trade as an essential tie for peace and progress and had opposed countless requests for protection from various quarters. The President had urged that negotiations begin as soon as possible. His country's written submission L/5846 had stated that an agreement on the application to import restraints of certain principles would enable the establishment of a firm basis for implementing standstill/rollback commitments. Moreover, two years ago, his delegation had tried to build a consensus on a temporary standstill prior to the negotiations. Other countries could not accept it. Consequently it was unfair to say that his delegations could not accept the notion of standstill. In fact efforts were being made constantly to keep markets as open as possible. The next step in the process of commencing a new round of negotiations was the establishment by the CONTRACTING PARTIES of a Preparatory Committee which should take up all issues of interest to participants, developed and developing countries alike, with no preconditions.

The representative of India referred to the proposed modalities for a standstill. As a precondition to the establishment of the Preparatory Committee, all the contracting parties, developing and developed contracting parties alike, should agree on individual commitments on standstill. The commitment expected would constitute a limited standstill because it would refer only to measures taken inconsistently with GATT. No bar was sought on GATT consistent measures. Some delegations had responded that they could not accept preconditions. This proposal was little more than a commitment to hold negotiations in good faith. When contracting parties were commencing a joint endeavour to strengthen the multilateral trading system it was not too much to undertake not to do anything that would make matters worse. There was nothing better to contain protectionist pressures than a standstill commitment such as the one proposed by Brazil and supported by many other delegations. Developing contracting parties had their own domestic constituencies to satisfy. Many delegations have asked for a standstill commitment as a prerequisite for any process to start in order to be able to tell their constituencies, industries and public that if the new round commenced matters would not become worse.

The representative of the European Communities expressed concern at the turn of the discussion and reiterated the need to find common ground for understanding among all contracting parties. Intransigent positions would not help anybody. The communities could not accept that standstill and rollback be considered as preconditions for negotiations even though they were committed to those concepts. He recalled the Communities' understanding of paragraph 7(i) of the 1982 Ministerial Declaration, stressing that they had been "deploying their best efforts" to comply with the commitments in standstill and rollback of restrictive measures in the firm hope that it would be possible to go beyond and achieve negotiated liberalization. Nobody wanted to violate the provisions of the General

Agreement, but experience had shown that a realistic approach was necessary. The dismantling of measures inconsistent with GATT might appear to be a simple matter but what about measures outside the GATT? Sterile discussion of these measures could go on forever with on-one changing his position and no headway made towards the objective of liberalization. The essential issue was to be able to proceed to negotiated contractual liberalization of trade and the best way to accomplish this was in a new round of trade negotiations. Laying down preconditions would endanger the creation of an environment favourable towards a new round of negotiations, hindering liberalization and damaging the system. Everybody should keep in mind the common objectives and ensure that decisions were aimed at liberalization and elimination of obstacles to world trade.

The representative of Canada referred to document L/5834. In his view the negotiations should cover products in all sectors, a full array of both non-tariff and tariff measures, as well as trade in service issues. A major focus should be the strengthening of the institutional framework of the multilateral trading system and on the ways and means of securing the value of negotiated market access conditions. At this stage, no sector nor issue should be excluded from the scope of the negotiations. Another important consideration concerned the relationship between trade and monetary questions, in particular the impact of exchange rate developments on trade flows. Canada supported the deployment of sustained and intensified efforts to address the problems of the international monetary system but the improvement of the functioning of the monetary system should not be a pre-condition for the trade negotiations nor should this issue be pursued within the GATT. The trade negotiations should be conducted on the basis of overall reciprocity and mutual advantage. An appropriate contribution to the resolution of trade problems should be made by all participants in the negotiations. This contribution should be commensurate with the benefits with participants obtained from open international markets having regard to their economic strengths and their interest in achieving a strengthened and more effective multilateral trading system. The presentation of preconditions for the initiation of negotiations and even for the preparation for negotiations was of real concern to Canada. There was an urgent need for the multilateral trading system to proceed to negotiations in order to address the vast range of problems already identified. As a final comment, the representative of Canada said that he had listened carefully over the last few days to a large number of statements on a variety of subjects. He had heard many delegations from both developed and developing contracting parties express the urgent need for negotiations. He had also heard these delegations say the preconditions were unacceptable. He had been under the impression that delegations had agreed on this point. However, he had just heard a whole list of what he would describe as preconditions for the initiation of negotiations even for preparation for negotiations. He was concerned about this development. As he had said on a number of occasions there was an urgent need for the multilateral system to proceed to negotiations in order to address the range of problems identified during the Group's meetings, including those problems identified today.

The representative of Uruguay said that for his country the hard reality was that their export trade was subject to an enormous series of measures and barriers, some of which violated the General Agreement, and also encountered a large number of grey area measures some of which were in violation or could well be in violation of the General Agreement. Because of past experience many developing countries lacked confidence in negotiations without reasonable guarantees. Uruguay had not set any condition with respect to the establishment of a Preparatory Committee. However, without a standstill neither developed countries nor developing countries could enter into negotiations because this was a technical necessity for the negotiations. There could not be negotiations without an agreement on rollback because nobody could negotiate violations of the General Agreement. A process of negotiation to liberalize trade was incompatible with maintaining restrictions which were in violation of the Agreement. Therefore rollback was a technical requirement for the negotiations. The standstill and rollback should not be subject to conditions or limited by a particular situation or possibilities. Rollback had to be carried out within a given period of time. The timetable, the context and content of any rollback would have to be negotiated and agreed so that everybody knew exactly what to expect.

The Chairman noted that some of the statements made by delegations related to the review item which would follow.

The representative of Egypt noted that the Senior Officials Group was discussing a proposal for a new round of trade negotiations. In this situation it was normal that countries being invited to negotiate, prior to commencing the negotiations, request the adoptions of some confidence building measures which would restore credibility in the multilateral trading system. Standstill and rollback were not preconditions. The real precondition, in his opinion, was not to allow participants to make requests or demands in order to enter the negotiations. The confidence building measures needed for the new round were essentially the standstill and rollback commitments. It would be disappointing if delegations could not agree to such a legitimate request to abide by the existing obligations and not to introduce new trade measures inconsistent with GATT.

The representative of Switzerland said that his delegation would also like to have a standstill. His country and other EFTA countries had entered into such commitments on several occasions because this was of the essence of a negotiation. That had always been the case in the past and would also be the case in the negotiations that would open soon. Standstill as a provisional measure, not a precondition, should go hand in hand with the setting up of the Preparatory Committee which would be responsible for its implementation. The standstill should be formalized when the negotiations were launched and should be maintained throughout the negotiations. It would be illusory to attach formalistic hopes to this type of measure because if the situation compelled a country, for unforeseen reasons, to break the commitment such an action should not put into question the progress of the negotiations as a whole. It should also be understood that participants would not have to make concessions in exchange for the elimination of measures which were contrary to the General Agreement.

The representative of New Zealand referred to document L/5831 and said that his delegation had no difficulty in supporting the incorporation in the current decision making process of credible and firm commitments on standstill and rollback. Some delegations had elaborated their views on very comprehensive and explicit undertakings on standstill and rollback and obviously this process of elaboration should be continued in the Preparatory Committee without prejudging the actual launching of the new round. Moreover, New Zealand had been rolling back trade restrictions in the past year and would probably continue to roll back in the course of the new round. He concluded supporting the views expressed by the representative of Canada with respect to other aspects of modalities and certain preconditions.

The representative of Singapore said that, on behalf of ASEAN, in any new round of multilateral trade negotiations a commitment to a standstill of protectionist measures was a necessity. If such a commitment was not undertaken participants could during the negotiations increase their level of protection so as to have something to negotiate with. In such a case the net result would be a waste of effort and resources. He was encouraged by the statement that the United States did not reject the concept of standstill and rollback and that they were prepared to discuss these issues and any other issue of interest to developing countries in a Preparatory Committee. Unambiguous statements to this effect should be made in the Senior Officials Group meeting by all developed countries to enable the speedy setting up of a Preparatory Committee.

The representative of Australia said that the question of modalities was essentially a question of how to move towards trade liberalization. Nobody in this Group had declared opposition to that goal. One of the steps in the process towards trade liberalization had been the establishment of the Senior Officials Group. Another very important step would be the decision that the CONTRACTING PARTIES would take in November on the establishment of the Preparatory Committee. That step would carry with it expectations about matters of substance and modalities. The proper place for preconditions would be when the negotiations were launched. At that time, a standstill on all illegal measures would be an essential condition for proceeding. Australia did not maintain or intended to impose any trade measures contrary to its GATT obligations. It would expect that other contracting parties would therefore be ready to begin negotiations at least with Australia since it had fulfilled the terms of a standstill which these other contracting parties had required. On rollback, his Government had undertaken a number of measures to roll back in the area of goods and more significantly it had rolled back regulations on banking and on foreign investment. These areas were of importance not only to developed countries but also to a range of developing countries. Furthermore, preconditions were not relevant to the decision making process to establish a Preparatory Committee in November, except for the precondition that no matters touching on substance or modalities would be excluded from the work of the Preparatory Committee. This approach would leave it open to the Preparatory Committee to decide what matters would be discussed and how they should be handled in any future negotiations. A Preparatory Committee should be established at the CONTRACTING PARTIES' Session in November and should complete its work by Easter 1986.

The representative of Hungary said that he had referred on previous occasions to the question of standstill and rollback. In this respect the basic rule was pacta sunt servanda. Earlier commitments and obligations assumed under the GATT should be respected. The fulfilment of existing obligations should not be conditional on counter-concessions. Measures and practices inconsistent with the provisions of GATT should not be brought into conformity by adapting GATT to the illegal measures and practices. To determine negotiating modalities meant also to define the rules and principles on which the negotiations should be based. The basic principle for negotiations was non-discrimination as embodied in the mfn principle. There was no way of preserving the international trading system without the m.f.n. commitment. Non-discrimination was a condition sine qua non for the system. With reference to participation he agreed with Japan that participation should be open to as many countries as possible.

With regard to modalities, the representative of the United States saw a process similar to the one used in the Tokyo Round. That is the establishment of a Preparatory Committee in November to determine the subject matter and procedures for a new round. This would lead to the establishment of a Trade Negotiations Committee and appropriate negotiating bodies for the negotiations. Participation would naturally depend upon what was negotiated and who wanted to negotiate. Whether or not to negotiate was obviously a decision to be taken by individual governments. The Preparatory Committee would decide on the participation of non-contracting parties. With regard to timing of the negotiations, a Preparatory Committee should be established in November with the aim of convening Ministers at a Trade Negotiations Committee meeting by April 1986. With respect to the conduct of the negotiations, all elements to be included in the negotiations should be agreed upon at the beginning.

The representative of Argentina noted a large measure of agreement among developing and developed countries concerning the notion that the standstill and rollback of illegal measures was normal before any negotiation. Certain delegations had said that this question should be taken up at the Preparatory Committee. It seemed as if those delegations were more interested in the process and in the acceleration of the process of negotiations rather than in what the process would lead to or resolve. If there really was goodwill and desire to improve the climate of international trade through an authentic multilateral negotiation with a community of nations, measures of standstill and rollback including high-level commitments should be considered in earnest before going ahead with the process of negotiations.

The representative of Uruguay referred to document Spec (85)46 and noted that in the past decisions on the launching of new negotiations had been taken in special ad hoc meetings aside from the general framework of GATT and that the CONTRACTING PARTIES only had had to provide the legal framework for the implementation of the outcome of these negotiations. For example the Tokyo Round had been carried out under the auspices of GATT, but had not actually taken place in any of the GATT bodies. On various

occasions in recent times delegations had referred, sometimes in critical terms to certain trade matters being discussed outside GATT. The launching of any new round of negotiations should be fully consistent with GATT and in particular with Article XXV, paragraph 1 which entitled the CONTRACTING PARTIES to take collective action in order to achieve the objectives embodied in the General Agreement and, even more specifically, Article XXVIII bis which refers to trade negotiations.

The Chairman suggested that the Group discuss the matter of participation of developing countries. He recalled that this question had been discussed under the specific subject matter and noted that it was not necessary to repeat what had already been said during the previous discussions.

The representative of Brazil referred to document L/5818 and expressed the expectation that the Senior Officials Group would reaffirm the principle of differential and more favourable treatment for developing countries as an integral and inalienable part of the GATT and of the MTN Codes which should be strictly adhered to. In order to ensure the full implementation of this principle in concrete situations, inter alia, where concessions were exchanged between developed and developing countries it should be agreed that during the preparatory process to a possible new round of trade negotiations, specific modalities would be devised to quantify to the extent possible the application of the provisions on differential and more favourable treatment for developing countries. Differentiations could be established as regards trade coverage, type of concessions, extent of reduction of trade barriers, timing of implementation of concessions, etc. Pending agreement on the precise operative formulae for the application of the principle of differential and more favourable treatment for developing countries an appropriate monitoring mechanism would be necessary to ensure effective surveillance of the results of the negotiations between developed and developing countries.

The representative of Uruguay shared the views expressed by the developing countries as a whole on the matter of special and differential treatment for developing countries. During the preparation of a new round developed countries should undertake a specific commitment to improve the schemes for the implementation of the Generalized System of Preferences. The relevant provisions in the various MTN Codes such as those on Subsidies, Anti-Dumping, Technical Barriers to Trade and Government Procurement should be reviewed and adapted. While the mfn principle should continue to be the rule for safeguards in GATT, developing countries should be recognized differential and more favourable treatment in areas such as the determination of safeguard margins, compensation, retaliatory action etc. As highlighted in the joint presentation of developing countries, specific attention should be given to the special problems of the least developed countries taking into consideration the provisions of the Ministerial Declaration. Developed countries should not expect reciprocity from these developing countries, nor should they expect concessions from these countries which would not be consistent with their economic, financial

and development situation. The debt problem was a critical element of the current economic situation and through the concerted action of creditors and debtors, the next round of negotiations should secure better market access and increased foreign exchange earnings for the indebted developing countries in order to enable them to develop and improve the external debt situation while maintaining internal rates of development consistent with their requirements for development.

The representative of Argentina subscribed to all the concepts described in document L/5818 with respect to differential and more favourable treatment for developing countries in the course of future trade negotiations. The negotiations should bear in mind the priorities of developing countries in areas of special interest such as textiles, tropical products, agriculture, subsidies, etc. Developing countries expected that the provision of differential and more favourable treatment would be closely monitored and quantified throughout the whole process of the trade negotiations.

The Chairman invited comments on the question of relationship of the negotiations with the Work Programme. He noted that the European Communities had already referred to this subject.

The representative of Brazil said that an agreement on safeguards was the most urgent subject to be addressed when negotiations were actually launched. Such an agreement was fundamental for the preservation of the multilateral trading system and for securing the results of any further liberalization efforts. As a consequence, for a decision to be possible by the CONTRACTING PARTIES on the setting up of a Preparatory Committee for the proposed new round of multilateral trade negotiations, a firm and credible collective commitment was required from all contracting parties to engage in the negotiation and conclusion of a comprehensive agreement on emergency safeguard actions on imports of particular products as the first stage of the proposed new round of multilateral trade negotiations. The comprehensive agreement should be based on the principles of the General Agreement, particularly the m.f.n. clause, and on the need for improving and making more efficient the existing disciplines on safeguards as contained in Article XIX of the GATT and in the light of the GATT Ministerial Decision of 1982. The collective commitment to conclude a comprehensive agreement on safeguards and the individual commitments to standstill should be considered as mutually reinforcing undertakings and as elements crucial to the preservation and strengthening of the GATT system. It would be the responsibility of the Preparatory Committee to agree on a negotiating plan with a well defined time table for the conclusion of the agreement on safeguards as a first stage of the proposed new round of multilateral trade negotiations.

The representative of Pakistan shared the views expressed by Brazil and added that the concept of safeguards had to cover all sectors of trade.

The representative of Egypt shared the views of Brazil with regard to safeguards under the title of modalities. A comprehensive agreement on safeguard action should be a first stage in the new round of trade negotiations. The collective commitment to conclude a comprehensive agreement on safeguards and individual commitments to standstill should be considered as mutually reinforcing undertakings.

The representative of India supported the statement made by Brazil. The reason for raising the question of safeguards while discussing modalities and asking for a firm and credible commitment to engage in the negotiation and conclusion of a comprehensive safeguards agreement was the fact that most of the ills of the present trading environment could be traced to the lack of respect for the fundamental principles of safeguard measures as embodied in GATT. The battering that the multilateral trading system had received had been due mainly to the proliferation of safeguard actions in the form of so-called voluntary export restraints and other grey-area measures. These measures had been imposed on a discriminatory basis in disregard of the fundamental principles of GATT, and had been continued ad infinitum. In addition to the m.f.n. treatment, one of the most important features that would have to be inscribed in a comprehensive safeguard agreement was the temporary nature of emergency actions.

The representative of Chile said that the modalities should include the following points. The subject matters for the negotiations should reflect the interests of all contracting parties. Progress and implementation of the results in one area of the negotiations should be conditioned to similar progress being achieved in other areas. Specific programmes to improve market access should be established in all sectors and in particular in the sectors of mineral, forestry, and fisheries products. The techniques and modalities should be related to the particular situation and degree of progress in each sector. The negotiations should be based on the harmonization of national interests. The time frame of the negotiation would have to take account of the need to implement on a priority basis, at a faster rate and on preferential terms, those results which benefit developing countries and in particular those which are indebted and those affected by natural disasters. The negotiations must be open to countries interested in acceding to the General Agreement. Tariff measures, quantitative restrictions and other non-tariff measures which are not consistent with the General Agreement cannot be the subject of negotiations. The commitments in the Ministerial Declaration of 1982 must be implemented in their totality without any weakening thereof, with a definition of time limits, modalities and the value they would represent in the multilateral trade negotiations. The Work Programme had served to examine various topics and sectors of interest and in some cases its completion must be sought through negotiations. The examination of topics should be completed in the near future so as to define the bases of negotiation. The results of the Work Programme must serve as a starting point for the multilateral trade negotiations. The negotiations required full observance by the contracting parties of the commitments of paragraph 7(i) of the Ministerial Declaration of 1982. It was not enough to reaffirm them in general terms. It was necessary to define operational mechanisms and to translate those commitments into concrete form in the various trade policies. The preparatory process must define the application of the standstill in respect of measures such as quantitative restrictions, variable levies, the Multifibre Arrangement, export subsidies, the grey area, renegotiations under Article XXVIII, existing safeguard measures, non-bound tariffs, scope of waivers granted by the CONTRACTING PARTIES under Article XXV:5 or under

protocols of accession. Similarly, the preparatory process must also define the rollback of protectionism, in particular measures not consistent with the General Agreement. His delegation did not accept any privileged negotiating position for those countries or groups of countries which had not respected the obligations set forth in the General Agreement. It would be neither fair nor equitable that there should be more benefits for those who had done the most to hamper free trade unlawfully. The rollback of measures contrary to the GATT was not a concession, and his delegation would not be prepared to pay so that others fulfil their obligations, not even those which had been authorized to live in a state of exception. Chile called for provisional, extraordinary and immediate liberalization in favour of the countries most affected by external indebtedness and natural disasters. The implementation of these commitments required a sound basis of operation on the principles of transparency, limited duration and progressive reduction. The GATT secretariat must report regularly on measures adopted and the CONTRACTING PARTIES should exercise the necessary surveillance with adequate means. In the negotiation process, full account must be taken of the implementation of those commitments since the Ministerial Declaration of 1982.

A statement concerning modalities made by the representative of Jamaica on 8 November is summarized hereunder.

The representative of Jamaica said that in the submission that had been circulated and to which he had referred there were different elements which would assist in coming to a conclusion as to whether and how to engage in any new round of multilateral trade negotiations. This would be facilitated by an examination of whether or not delegations were going to undertake a review of the General Agreement in the negotiations. That approach was also to be found in the document circulated by the Swiss delegation. To be precise he had formulated as in the Swiss paper whether it would be "work in GATT", "work on GATT" or "work as GATT" and he believed that this was an essential first question for the Group to answer if it was to get to the stage of a discussion of how to treat new themes or new subjects. If there was a divergence of view as to whether a subject fell within the General Agreement, or within the ambit of the General Agreement, or even within the framework of the GATT multilateral trading system and delegations wished to bring it into that framework, it would be necessary to address the question whether delegations were accepting the General Agreement as it is or whether they were going to discuss reform of the General Agreement. In a number of instances a number of other delegations had indicated that they would wish to look at a number of Articles of the General Agreement and this was to be found on page 54 and subsequently in paragraphs 193 to 201 of document Spec (85)58 under the heading Review of Certain Provisions of the General Agreement. He believed that in the "Concluding Observations" section it would be useful to put before the Group the issues raised by his delegation, by the Swiss submission and by those other delegations as to precisely whether delegations were prepared to look at the re-opening of Articles of the General Agreement to encompass new areas or were looking at negotiations on trade in goods only within the competence or within the ambit of the General Agreement.