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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
1-2 November 1983

MINUTES OF MEETING

Held in the Centre William Rappard on 1-2 November 1983

Chairman: Mr. H.V. Ewerlöf (Sweden)

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1. People's Republic of China

- Request for observer status at thirty-ninth session (L/5549)

The Chairman drew attention to a communication from the Permanent Mission of the People's Republic of China (L/5549), stating that the Government of that country took interest in sending its representatives to participate as observers in the thirty-ninth session of the CONTRACTING PARTIES in November 1983. In the communication it was stated that the request was without prejudice to the position of the Government of the People's Republic of China with regard to its legal status vis-à-vis the GATT.

The Council approved the request.

2. Aspects of Trade in High-Technology Goods (SR.38/9, C/W/409/Rev.2 and Corr.1)

The Chairman recalled that the Council had most recently considered this item at its meeting on 3 October 1983, and had agreed to revert to it at its next meeting on the understanding that, in the meantime, the Chairman would hold consultations with interested contracting parties. He had held such consultations, which were still continuing, and the Council would be kept informed of their development.

The representative of the United States emphasized the great importance that his Government attached to this issue, which was also of interest to other countries.

The representatives of Canada, Japan and Australia expressed support for the revised US proposal (C/W/409/Rev.2). They regretted that the Council had not yet taken a decision on this matter, and hoped that it would soon be able to do so as a result of the Chairman's consultations.

The Council took note of the statements and agreed to revert to this item at its next meeting.

3. Trade in Counterfeit Goods (C/W/418, L/5512)

The Chairman recalled that the Council had most recently considered this item at its meeting on 3 October 1983, and had agreed that consultations would continue among interested delegations, and between delegations and the secretariat, and had agreed to revert to this item at its next meeting. He understood that informal consultations were taking place with a view to establishing the points which needed to be examined, and on which information would need to be collected, in order to assist the Council in determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting. These consultations were also addressing the way in which such an examination might be undertaken. He would report on further progress in this work at the next Council meeting.

The Council took note of this information and agreed to revert to this item at its next meeting.

4. EFTA and FINEFTA Agreements

- Biennial reports (L/5561)

The Chairman drew attention to document L/5561, which contained a report on the Agreement creating the European Free Trade Association (EFTA), and a report on the Association Agreement between Finland and the EFTA member States (FINEFTA).

The representative of Chile noted that the information annexed to the report showed that the member States of the EEC had maintained a constant share of the EFTA market, taken as a whole, while the developing countries' share had constantly declined, apparently as a consequence of the negative preferences in the EFTA market. In his view, this showed that the Generalized Scheme of Preferences (GSP) had neither been sufficient nor efficient enough to improve access to this market for products from developing countries. Furthermore, this demonstrated that the advantages of the GSP were cancelled out by the better conditions of access enjoyed by the products of developed member States of the EEC. This should be a source of concern, particularly in the light of the commitments undertaken in Part IV of the General Agreement. He believed that, in fulfilment of GATT obligations, measures should be taken to remedy the situation, especially through the elimination of quantitative restrictions and other non-tariff measures and, he emphasized, through improvements in the GSP so that the products of the developing countries could at least compete on an equal footing in the EFTA markets.

The representative of Portugal, speaking on behalf of the EFTA countries, drew attention to the reports made available by the EFTA Secretariat as well as to the frequent declarations by the EFTA member States concerning the Agreements in question. These reports contained abundant information on the activities of the EFTA and on the development of the trade of its member countries. If after study of this documentation there remained any further questions, the EFTA countries' representatives would be available to reply bilaterally or at a future meeting of the Council.

The representative of Switzerland wished to remind the Council that EFTA was based on reciprocity. This had a trade creating effect not only among its member States but also with other countries. There had been insufficient utilization of the GSP by developing countries and in particular by those which were in a position to export products of a certain technological level. The Swiss GSP scheme was a liberal one; and all developing countries could have access to it. He felt it would be more constructive to invite developing countries' exporters to seize the opportunity they were offered under the GSP rather than to bring up a new concept of negative preferences. As regarded Switzerland, quantitative restrictions in this field were non-existent or minimal.

The Council took note of the reports and of the statements.

5. Safeguards

- Report by the Chairman of the Council (Spec(83)47)

The Chairman recalled that in November 1982, GATT Ministers had called for a comprehensive understanding on safeguards to be presented to the CONTRACTING PARTIES at their forthcoming session (BISD 29S/12-13).

As requested by the Chairman of the Ministerial meeting (SR.38/9, page 2), he had presented an interim report to the Council, at its meeting in July 1983, on developments since the Ministerial meeting. His present report (Spec(83)47), like the interim report, was made on his own responsibility.

He said that all contracting parties were aware of the vital importance of an improved and more efficient safeguard system, but they were also aware of the great problems attached to this question, and that all efforts made in the past had failed to yield any concrete results. It had therefore been considered useful to use a different method of work, and to examine measures of a safeguard nature that had actually been taken, in order inter alia to understand better the underlying reasons for them, to arrive at a common analysis and to seek to draw conclusions therefrom, and to use this examination as a basis for deciding on how to proceed further. This examination of measures had been conducted informally but intensively over the past eight months. It had been clearly understood by everyone that the examination did not prejudice the legal status of the measures discussed, nor the final position of governments as to the results, nor the rights and obligations of the contracting parties under the General Agreement.

He then outlined the content of the discussions, saying that they had been very useful and had provided for a much better understanding of the problem. However, he regretted that it had become clear that it was not possible to present to the CONTRACTING PARTIES at their forthcoming session a comprehensive understanding on safeguards, and that the consultations would have to continue. It had been his aim to present to the Council a report containing both a descriptive part, and an action-oriented part. This aim had been ambitious; and it had not been possible to complete the consultations before the present Council meeting.

Without wanting to seem unduly optimistic, he still hoped that agreement might be reached on some immediate action, and he considered it very important in the present economic situation that a further determined effort be made to arrive at such agreement before the session. The Chairman concluded by saying that he would therefore pursue the consultations after the present Council meeting and make a further report to the CONTRACTING PARTIES so that the appropriate decisions could be taken at the session.

The representative of India said that his delegation attached the highest importance to achieving a comprehensive understanding on safeguards. He wanted to emphasize the parameters set out in the Ministerial Declaration on this subject, which were that the comprehensive understanding would be based on the principles of GATT, and that it would contain the elements as enumerated in the Chairman's report (Spec(83)47). The relative priority of the various elements in any comprehensive understanding was a question of value judgement; but the aim should be to arrive at an improved safeguard system subject to

multilateral discipline and surveillance. Merely touching on some elements, for example transparency, would not even approach fulfilling the Ministerial mandate. Therefore, his delegation was keen to co-operate in working out a comprehensive solution on this subject, if not before the session, then later, with the aim of reaching a conclusion as quickly as possible.

The representative of Japan said his delegation agreed that there were great difficulties in fulfilling the 1982 Ministerial mandate on this subject. However, Japan would actively support efforts to achieve a substantive agreement which would be applicable by the various contracting parties. A political signal should be sent to the world, and to those engaged in international commerce, that GATT was ready to fulfil its rôle.

The representative of Australia said that his delegation was prepared to continue the effort to work out a comprehensive understanding on safeguards, whether before or after the session. With a view to improving disciplines on all safeguard measures, Australia would be prepared to participate in discussions that might lead to some interim, partial arrangement. However, it could not support any view which saw such an arrangement, or any other solution, which addressed only transparency without reference to other factors such as surveillance. Nor could Australia accept an interim/partial arrangement as a substitute for the comprehensive understanding called for by Ministers. In addition, Australia would not support any understanding, partial or comprehensive, which would legitimize selective safeguard actions without effective disciplines.

The representative of Canada said that his authorities attached considerable importance to reaching a comprehensive understanding on safeguards, and were prepared to make every effort to that end.

The representative of New Zealand said his delegation considered that this issue needed some immediate action. The safeguards problem was complex; and a comprehensive understanding including all the elements listed in the 1982 Ministerial decision would be the only way of reconciling all the interests involved.

The Council took note of the Chairman's report (Spec(83)47) and of the fact that he would make a further report to the CONTRACTING PARTIES, and of the statements.

6. European Economic Community - Quantitative restrictions on imports of certain products from Hong Kong

- Follow-up on the report of the Panel (L/5511)

The Chairman recalled that the Council had most recently considered this item at its meeting on 3 October 1983, and had agreed to revert to it at its next meeting, if the delegation of the United Kingdom, on behalf of Hong Kong, so desired. The item had been placed on the Agenda of the present meeting at the request of the United Kingdom, on behalf of Hong Kong.

The representative of the United Kingdom, on behalf of Hong Kong, recalled that at the Council meeting on 3 October, the representative of the European Communities had said that the French authorities were very shortly going to terminate quantitative restrictions on three of the eight product categories covered by the Panel's report. Hong Kong noted that the restrictions had still not been lifted and that, in any case, these three product categories represented only about 1.5 per cent of the total trade in question. There had also been no action by France or the Community to terminate the restrictions on the other five product categories which accounted for the bulk of Hong Kong's total exports to France in the eight products in question. He sought further information on the status of France's compliance with the CONTRACTING PARTIES' recommendation that it should terminate the quantitative restrictions in question.

The representative of the European Communities said that his authorities had made great efforts to follow up quickly on the CONTRACTING PARTIES' recommendation concerning these residual restrictions, despite the real problems it posed. The Community had not opposed the immediate adoption of the Panel's report, and could now confirm that the French Official Gazette would issue during the current week a confirmation of the cancellation of quantitative restrictions on the three product categories. As for the other five, work was well under way to try to find solutions; but this was a difficult matter and would take time. The Community would spare no effort to speed up matters and would report to the Council as soon as a decision was imminent, but it hoped that this item would not appear on the agenda of every Council meeting; such a procedure would be neither productive nor conducive to substantive results.

The representative of Hungary said that his authorities had been following this case with great interest, because some of his country's trade policy problems with the Community were similar to Hong Kong's. Hungary considered this to be a test case and hoped that the CONTRACTING PARTIES' recommendation would be fully carried into effect; the sooner that happened, the better for the credibility of GATT's dispute settlement mechanism. His authorities also wanted to ask whether the Community or the French authorities had asked Hong Kong for any concessions as a counterpart for elimination of the quantitative restrictions in question.

The representative of the European Communities said no such concessions had been requested to his knowledge.

The representative of the United Kingdom, on behalf of Hong Kong, confirmed that no such concessions had been sought, nor would any have been given, because Hong Kong stood by the CONTRACTING PARTIES' recommendation. His delegation hoped that the Community was not suggesting that the quick work by the Panel, the prompt presentation of

its report and the Community's immediate acceptance of the report's adoption somehow had a merit in themselves; all this should have happened as a matter of course. He said that his delegation wanted to know when the quantitative restrictions on the other five product categories, which accounted for 98.5 per cent of the trade in question, were going to be terminated in accordance with the CONTRACTING PARTIES' recommendation. Among these, the quantitative restriction on quartz watches, the most important product in trade terms, was not a residual restriction, having been introduced only two years ago and having since then had the effect of drastically reducing Hong Kong's exports of this product to France. His delegation understood that the Community had begun an internal procedure to investigate imports of these watches. Hong Kong would closely watch developments in this connexion, and was confident that the Community would have full regard to the provisions of the GATT and to the Community's obligations and Hong Kong's rights thereunder. He added that, while the Community was entitled to do what it was doing, the initiation of such a procedure could not be used as an excuse for not complying immediately with the CONTRACTING PARTIES' recommendation that the quantitative restriction on quartz watches be terminated. He also asked that the Council agree to revert to this item at its next meeting.

The representative of Colombia said that his delegation was concerned about the credibility of the GATT as an organization and of its dispute settlement mechanism; non-implementation of Council decisions on panel reports posed a major threat to the GATT system. He was referring not only to this dispute, but to others which had been under Council review for some time.

The representative of Chile expressed satisfaction that the Panel's report had been adopted rapidly by the Council, and that the Community had reacted, at least in a small part, to the CONTRACTING PARTIES' recommendation. But, in view of past poor precedents in dispute settlement cases, his delegation hoped that future such recommendations on panel reports would be implemented promptly and efficiently.

The representative of Brazil said that his delegation shared the views expressed by the previous two representatives, and considered that this was a test case for GATT's dispute settlement mechanism.

The representatives of Singapore and India welcomed the Community's speedy agreement to adopt the Panel's report, and France's action towards removing some of the restrictions. They hoped that the Community would accelerate efforts to remove the remaining restrictions, and supported the request by the United Kingdom on behalf of Hong Kong that this item be on the agenda of the next Council meeting.

The representative of Korea supported the views expressed by the United Kingdom, on behalf of Hong Kong, and by other representatives concerning implementation of the CONTRACTING PARTIES' recommendation.

The Council took note of the statements and agreed to revert to this item at its next meeting.

7. Structural Adjustment and Trade Policy

- Report by the Working Party (L/5568)

The Chairman recalled that in November 1980, the Council had established the Working Party on Structural Adjustment and Trade Policy. The Working Party had reported to the Council in June 1981, at which time the Council had requested the Working Party to undertake the work as set out in the conclusions contained in the Annex to its report (BISD 28S/127); the Council also decided then that future reports by the Working Party should be transmitted to the Committee on Trade and Development, and to the Consultative Group of Eighteen, before being submitted to the Council.

The Chairman said that in the light of the schedule of GATT meetings and, in particular, since the Committee on Trade and Development would be meeting after the present Council meeting, the Council might wish to consider, and take note of, the report of the Working Party at this stage, since it was one of the elements in the Action Programme resulting from the 1982 Ministerial Meeting (BISD 29S/19).

Mr. Henrikson (Sweden), Chairman of the Working Party, introduced the report (L/5568) and said that the discussions had enabled the Working Party to gain some valuable insights into the nature of the adjustment process and the factors affecting it. There were widely differing national approaches and experiences regarding structural adjustment, and these were recorded in the report. The last section of the report, paragraphs 40-47, contained agreed conclusions regarding the interaction between the adjustment process and the fulfilment of GATT objectives; a strong spirit of co-operation among delegations had made these agreed conclusions possible. He drew the Council's attention to the final paragraph 47, in which the Working Party recommended that the Council ask relevant GATT bodies to take into account the insights gained and conclusions reached in the Working Party. The Working Party had also stated its view that the GATT should continue to focus attention on the question of structural adjustment and its relation to trade, in the light of its conclusions, and had recommended that the Council decide how this might be undertaken.

Many representatives said that they considered the Working Party had done useful work over the past two years, and that this had led to valuable insights into the relationship between structural adjustment and trade policies, as well as into the great variety of national experiences in this field and the effect these had had on trade. They expressed

satisfaction that the Working Party had been able to reach agreed conclusions in its report. The report had underlined the beneficial effects for structural adjustment which flowed from trade liberalization carried out under the GATT. They felt that time was needed for reflection on exactly how and where in GATT this work could be pursued further, and that the Council could decide on this at a future meeting.

The representative of Chile said that a number of aspects should be examined in further work in this area, for example trade and adjustment problems in agriculture and textiles.

The representative of Brazil said that a final assessment of the usefulness of this exercise would greatly depend on the extent to which the valuable insights gained gave rise to concrete multilateral action in the field of structural adjustment. His delegation considered that particular attention would have to be given to the examination of sectors in which structural adjustment had been hindered by persistent protectionist trade measures, including some originally introduced for temporary relief, and of sectors where developing countries enjoyed a comparative advantage. Structural adjustment was a vital problem for world trade whose solution should not be left exclusively to the operation of market forces. Not only should governments intervene at the national level to promote adjustment, but it should also be possible to envisage co-operation in this area at the international level.

The representative of New Zealand said that further work in this field would help to strengthen the sense of commitment to GATT rules, and to the trade interests of all contracting parties, and particularly to paragraph 7(i) of the 1982 Ministerial Declaration. The Working Party's report contained some modest achievements and a few crucial perceptions, particularly that concerning the link between trade liberalization and certain problem areas including agriculture. The Working Party had fulfilled its mandate; but the potential in this field was not exhausted, and his delegation could agree on the need to reconstitute the Working Party. His delegation was open-minded on the exact way in which work on structural adjustment could be made more precise and directly relevant to the trade issues being discussed in other GATT bodies. New Zealand endorsed the proposal that the Working Party's conclusions be put before other relevant GATT bodies, specifically the Committee on Trade in Agriculture and the Group on Quantitative Restrictions and Other Non-Tariff Measures.

The representative of India said the Working Party's report had led to better understanding of the adjustment process in general and of the rôle played by government policies in influencing the interaction between this process and international trade. The report had clearly shown that there were some sectors with evident signs of structural rigidities where there had been repeated pressures on governments for taking protective

measures. Many of these sectors were particulary relevant to the export interests of developing countries; a study of them could form a useful basis for a second round of work in GATT on structural adjustment and trade policy.

The representatives of Egypt and Romania agreed on the need to continue further work in GATT on the link between structural adjustment and trade policies.

The representative of Hungary said that his delegation shared the conclusions reached by the Working Party. The GATT, by promoting trade liberalization, had helped the process of structural adjustment; while considerable progress had taken place in some industrial sectors, less had been made in agriculture. His delegation was convinced that the main contribution which contracting parties could make to the adjustment process would be to abide strictly by their obligations under GATT rules.

The representative of Australia said the Working Party had laboured under considerable difficulties in obtaining appropriate or uniform information. The report, even though modest, gave a valuable insight into the impact of domestic policies on world trade, particularly in the agricultural sector. The report showed that these policies too often tended to slow down or impede adjustment to the detriment of more efficient producers. This distorted international trade patterns, and distributed the adjustment burden inequitably between contracting parties. The report's conclusions would be particularly valuable to the Committee on Trade in Agriculture. While it had thought that periodic updating of secretariat studies on this matter could be sufficient, in the light of many interventions calling for continuing work, Australia was prepared to examine suggested approaches constructively.

The representative of Jamaica said that the report provided useful information, but it made no specific suggestions to counter the negative effects of actions taken by public and private enterprises in inhibiting adjustment. The second phase of work should concentrate on making concrete proposals to remove such inhibiting factors.

The representative of Canada said the report had drawn the right conclusions, and that work in this area should be pursued with redoubled energy. Once the Council had transmitted the Working Party's conclusions to other relevant GATT bodies, those bodies would be charged with maintaining the thrust of work in this area. To assign the work elsewhere could be seen as undermining the rules of these other bodies; so Canada saw no need to negotiate a renewed mandate for another working party on structural adjustment.

The representative of Norway, speaking on behalf of the Nordic countries, expressed satisfaction that it had proved possible for the Working Party to reach agreed conclusions. Structural adjustment and its

relationship to trade policy was a matter of continuous concern to GATT; the Nordic countries wanted more time to reflect on how GATT should follow up this work.

The representative of the European Communities said it had been difficult for the Working Party to reach concerted conclusions, and it would be unfortunate to give the impression that these conclusions represented a single agreed opinion of the members of the Working Party. The report should not be drawn upon selectively so as to favour the views of one or another side. References had been made to rigidities in certain sectors and to protective measures which had put a break on structural adjustment; but it should be remembered that there were ethical, regional and social constraints to the structural adjustment process in certain sectors. Time was now needed for reflection on how and where future work could best be pursued in GATT.

The representative of Switzerland said that GATT was an operational organization, and its members should avoid the easy solution of falling into an intellectual exercise in this area. The important thing was to see that the results achieved by the Working Party were given practical effect in other areas such as safeguards, quantitative restrictions and subsidies.

The representative of Japan said that the Working Party had led to a deeper understanding of the relationship between structural adjustment and trade policies, and that the objective of the Ministerial Declaration on this point had been fully met. The problem of structural adjustment had broad ramifications in many industrial sectors, and the report showed how policies differed from country to country. Consultations among interested parties should be carried out to consider further work in this area.

The Council took note of the report by the Working Party and of the statements, and that the report would be considered by the Committee on Trade and Development. The Council agreed to revert to the report at its next meeting, so as to complete its consideration and decide on such further action as might be called for, having regard to the report of the Working Party and to the comments by representatives, to any comments made in the Committee on Trade and Development, and to any comments and discussion at the thirty-ninth session of the CONTRACTING PARTIES.

8. Quantitative Restrictions and Other Non-Tariff Measures

- Progress report by the Chairman of the Group (NTM/3)

The Chairman recalled that in January 1983, the Council had taken note of the 1982 Ministerial decision on Quantitative Restrictions and Other Non-Tariff Measures (BISD 29S/17-18), and had established the Group on Quantitative Restrictions and Other Non-Tariff Measures to carry out the task described in paragraph 1 of the Decision, and to report to the Council as prescribed in paragraph 2.

Mr. Onkelinx (Belgium), Chairman of the Group, introduced the progress report (NTM/3), which he was presenting on his own responsibility. He said that at its first meeting, in March 1983, the Group had agreed to adopt a three-stage approach to its work. The Group had also agreed that adequate attention would be given to the need for action on quantitative restrictions and other measures affecting products of particular export interest to developing countries in each stage of its work. At its second meeting, in October 1983, the Group had before it the result of Stage I of its work, which consisted of extensive documentation. The Group had agreed that this documentation provided an adequate basis for its review, on the understanding that it was necessary to ensure the continuation of the work of collecting information from all contracting parties, as well as improving the quality of that already available. He appealed to delegations which had so far not submitted such information to do so. The Group had agreed to begin Stage II of its work, the detailed review of quantitative restrictions and other non-tariff measures, at its next meeting in early December 1983. The Group intended to conclude Stage II in April 1984; in Stage III, it would then consider its findings and conclusions, and prepare its final report to the 1984 session of the CONTRACTING PARTIES.

The Council took note of the progress report (NTM/3).

9. Provisional Accession of Tunisia

- Extension of time-limit (C/W/427, L/5566)

The Chairman recalled that the Declaration of 12 November 1959 on the Provisional Accession of Tunisia, as extended by the Fourteenth Procès-Verbal of 2 November 1982 (BISD 29S/5), and the Decision of the CONTRACTING PARTIES providing for the Participation of Tunisia in the work of the CONTRACTING PARTIES (BISD 29S/8), were due to expire on 31 December 1983. A request by the Government of Tunisia for an extension of these arrangements had been circulated in document L/5566.

The representative of Tunisia said that a Memorandum on his country's foreign trade régime had been submitted to the secretariat and would be issued as an addendum to document L/5566 which was now before the Council. This showed the interest of his country in a system of international trade based on the principles of the General Agreement, especially Part IV. His delegation invited contracting parties wanting to comment on the Memorandum to send their remarks and questions to the secretariat. He also invited contracting parties wishing to exchange concessions with Tunisia, in the framework of the negotiations for Tunisia's accession to GATT, to inform his delegation of their intention to do so; they would be notified of the official opening date of the negotiations by the secretariat in due course. Since the negotiations could not be concluded before the thirty-ninth session of the CONTRACTING PARTIES, Tunisia was asking for a renewal of the Declaration of 12 November 1959 on its provisional accession to the General Agreement.

The Council approved the text of the Fifteenth Procès-Verbal Extending the Declaration to 31 December 1984 (C/W/427, Annex 1), and agreed that the Procès-Verbal be opened for acceptance by the parties to the Declaration. The Council also approved the text of the Decision (Annex 2) extending the invitation to Tunisia to participate in the work of the CONTRACTING PARTIES to 31 December 1984, and recommended its adoption by the CONTRACTING PARTIES at their thirty-ninth session.

The Council also took note of the statement by the representative of Tunisia, and took note that in respect of the Accession of Tunisia, that Government had submitted a Memorandum on its foreign trade régime, which would be circulated as an addendum to document L/5566.

10. United States - Caribbean Basin Economic Recovery Act (C/M/171, L/5573)

The Chairman recalled that at the Council meeting on 3 October, the representative of the United States had raised this item, and had said that his delegation would be prepared to discuss it at the present meeting. This item had been placed on the agenda of the present meeting at the request of the United States.

The representative of the United States referred to a communication, circulated on 1 November in document L/5573, in which the United States requested a waiver pursuant to Article XXV:5 to permit the United States to extend duty-free treatment of certain goods imported from designated Caribbean countries as listed in the Annex to the document. The United States believed that such a waiver would be consistent with footnote 2 to paragraph 2 of the 1979 Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries ("enabling clause") (BISD 26S/203). He said that the Caribbean Basin Economic Recovery Act was a development programme which sought to use trade, tax and assistance measures to promote the revitalization of Caribbean national economies. The measures were designed to expand productive capacity in response to the opening of new markets for Caribbean exports, as well as to assist the service sectors of their economies, especially tourism. The United States was seeking a waiver so as to implement the centrepiece of the programme, which was the temporary extension (for eleven years) of one-way, duty-free treatment for most products from Caribbean countries. The Act would not create new barriers to, or in any other way impede, the trade of contracting parties because it was limited in both scope and duration. The small potential productive capacity of the Caribbean nations made it highly unlikely that even an expansion of exports from the region would create significant changes in the current trading patterns between the United States and its other trading partners. The preferential treatment provided under the Act was unilateral and non-reciprocal, in accordance with the provisions of Part IV of the General Agreement. The United States requested that

the CONTRACTING PARTIES give expeditious consideration to this request and was prepared to enter into consultations with interested contracting parties, to co-operate fully in providing additional information about the Act, and to respond to other enquiries with regard to this request.

The representative of Colombia said that his delegation would want to study the full text of the Act, which had not yet been submitted by the US delegation. Even though Colombia, as a developing country in the Caribbean area, was not listed in the Annex to document L/5573 as a beneficiary nation, it supported the US initiative. His delegation was prepared to participate in any GATT machinery established to examine the Act. However, he wished to point particularly to paragraph 4(b) of the "enabling clause", which provided for prompt consultations at the request of any contracting party concerning the introduction of trade arrangements.

The representative of Cuba said that the idea behind the Act seemed to be to extend the range of products which would enter the US market on a duty-free basis, and this implied setting up a free-trade area. But 87 per cent of Caribbean exports to the United States were already granted duty-free access by the US scheme under the GSP, and the remaining 13 per cent included two products of great interest to Caribbean exporters, such as sugar and rum. Other products of great trade interest to developing countries, such as textiles and clothing, were also excluded from the Act. Moreover, none of the tariff obstacles on products which were the main developing country exports, were even mentioned in the Act. She said that the United States was also using the safeguards clause in the Act to eliminate or reduce the volume of imports from the Caribbean area when these conflicted with US trade interests. There was a high level of uncertainty for the so-called beneficiary countries and the Act was a means of pressure exercised by the United States on Caribbean countries. The intention was clearly to integrate the economies of the so-called beneficiary countries into the US economy, and in a subordinate position. Access to the US market would be granted on a bilateral basis through country-by-country negotiations, a formula which made it possible to resort to the Act as a political weapon. The Act established mechanisms that discriminated between developing countries; this was shown by the fact that some Caribbean countries were not included in the Annex. One of the smallest countries listed in the Annex was currently the victim of aggression and was at the same time being offered economic recovery; Cuba condemned the US invasion of that country, and considered that the trade arrangements envisaged by the United States were of no use at all, and would help no country in the Caribbean area.

The representative of Brazil said that his delegation would carefully consider the US request for a waiver. Brazil felt that it might have been discriminated against as regards its sugar trading interests; it would take up the US offer to enter into consultations, and reserved its rights under the General Agreement.

The representative of Nicaragua noted that her country was one of the potential beneficiary countries listed in the Annex. Her delegation had taken note of the consultations which the United States intended to have with interested parties. However, Nicaragua believed that the CONTRACTING PARTIES could not give a blank cheque to the United States in these circumstances; all the more so, as this would be the first arrangement between developing countries and a developed contracting party to be examined since the adoption of the "enabling clause." Nicaragua had doubts about the compulsory and discretional provisions of the Act in relation to Part IV of the General Agreement. She asked whether the Act would enter into force on 1 January 1984, and, if so, whether there had been a US Presidential Decree to decide the beneficiary countries, as there appeared to be a deadline for Congress to approve the designation of such countries before the Act took effect.

The representative of Israel said that his country had a direct interest in this matter as its trade would be affected, and it looked forward to having early consultations with the United States. He suggested that the Council wait for full documentation on the Act before taking any further steps.

The representative of Australia said that his delegation needed more time to examine the US request, and would enter into consultations as an interested party in this matter.

The representative of the European Communities said that his authorities were very interested in the US initiative. The United States was following a different procedure from that which had been followed by the Community to reach the same goal, i.e., to help a number of developing countries, in this case in the Caribbean basin; but fundamentally the approach was the same. The Community believed that the normal procedure should be followed, by setting up a working party to examine the US request.

The representatives of Argentina and Spain expressed their authorities' close interest in this matter, and said that the information so far presented by the United States was not enough for the Council to take action. They asked the US delegation to provide the full text of the Act, and other relevant background information, as quickly as possible.

The representative of the United States said his delegation saw the US request as only the start of a process, whereby following past GATT practice the Council would establish a working party, to which the United States would provide full documentation and information. His delegation had taken note of certain statements which it did not consider appropriate in GATT, and therefore did not intend to respond to them. The United States intended that the Act should take effect on 1 January 1984.

After the consideration of other items and following informal consultations between delegations, the Council reverted to this item.

The representative of the United States said his delegation hoped that the Council would follow its usual practice and establish a working party at the present meeting. His delegation had not asked for this in its initial statement, because experience with similar waiver requests had led the United States to expect that a working party would be established routinely. The United States did not expect the Council to take a decision on the waiver request at the present meeting. As requested, his delegation was submitting to the secretariat, for the information of contracting parties, a copy of Title A of the Act, dealing with the duty-free provisions which were the subject of the waiver request.

The representative of Australia said that since the waiver request (L/5573) had only been received on the day of the meeting, and since the text of the Act had still not been circulated, his delegation wanted more time to consider the request. This issue could be considered further at the thirty-ninth session of the CONTRACTING PARTIES; such a procedure would ensure that a working party was established and the preliminary work begun before 1 January 1984. Australia would not, however, oppose a consensus at the present meeting to set up a working party. His delegation would want to participate in drafting the terms of reference of a working party in the event it was established.

The representative of Chile said that since either at the present meeting or at the thirty-ninth session of the CONTRACTING PARTIES a working party would unavoidably be set up, and since the Act would enter into force on 1 January 1984 and might have an important impact on a number of contracting parties, his delegation favoured setting up a working party at the present meeting, on the understanding that its terms of reference, chairmanship and membership would be subject to consultations.

The representative of Nicaragua said that her delegation had no objection to setting up a working party at the present meeting and would want to participate in such a body. However, she wished to underscore the importance of the terms of reference of such a working party. No waiver could be granted for application of an Act which did not cater to the authentic interests of the countries concerned. Nicaragua was not convinced that the Act was non-reciprocal; it appeared that a certain degree of reciprocity was expected from the beneficiary countries which went far beyond the duty-free treatment from which they would benefit.

The representative of Argentina said his delegation would want to participate in consultations over terms of reference for a working party.

The representative of Austria supported the statement by the representative of Australia and reserved his delegation's position.

The representative of the European Communities said that his delegation had suggested following the usual procedure in this type of case, i.e., setting up a working party and even doing this at the present meeting, as the representative of the United States had stated that the Act would enter into force in any event on 1 January 1984. However, if a working party were set up immediately and its conclusion were not to grant a waiver, this could create a difficult situation. The matter was indeed urgent; but the Council should not feel compelled to take a decision by the sheer force of external events and simply for lack of any other choice. On a more fundamental issue, the Community was gratified by the stated objective of the United States to help in the economic recovery of Caribbean countries; but some of the beneficiary countries also had special relations either with the Community as such, or with some of its member States. The issue of compatibility of obligations might arise, for instance, with the provisions of the Lomé Convention. There were different ways of trying to accomplish the same task. The Community had signed contractual agreements with the countries concerned, and the United States had chosen the autonomous route. His delegation wondered about the criteria for selecting the beneficiary countries and whether they were objective or subjective. This issue deserved in-depth review.

The representative of the United States suggested dropping from the Council's recommendation, any reference to setting up a working party, and simply submitting this matter to the CONTRACTING PARTIES for action as appropriate.

The representative of Australia reiterated that it was not the intention of his delegation to prevent establishment of a working party on this issue. He understood the discussion had focused on the timing as to when such a working party would be established, and was unaware of any discussion of another option that the CONTRACTING PARTIES might take.

The Council took note of the statements and agreed to refer this matter to the CONTRACTING PARTIES for action at their thirty-ninth session, on the understanding that consultations would take place in the meantime.

11. Consultative Group of Eighteen

- Report by the Chairman of the Group (L/5572)

The Chairman recalled that under its terms of reference, the Consultative Group of Eighteen submits once a year a comprehensive account of its activities to the Council.

The Director-General, Chairman of the Group, presented the report (L/5572), which had been prepared on his own responsibility, and said that it would also go to the thirty-ninth session of the CONTRACTING PARTIES. He said the Group's review of developments since the 1982 Ministerial Meeting had concentrated on the implementation of paragraph 7(i) of the Ministerial Declaration, in which Ministers had committed their Governments to refrain from taking or maintaining any measures inconsistent with GATT. He had reported on the Group's recommendations on this subject to the special Council meeting in July 1983, which had agreed that the implementation of paragraph 7(i) should be kept under surveillance by the Council meeting twice-yearly in special session. At both its May and October meetings, the Group had discussed the relationship between trade policy and the problems facing the international financial system; all members had recognized the importance of trade expansion and liberalization as a contribution to the solution of the financial crisis, and notably the problem of indebtedness. In October, the Group had focused on specific means by which these economic relationships could be given greater weight in GATT's work, notably in the Committee on Trade and Development and in the Committee on Balance-of-Payments Restrictions. The development of cooperation between the GATT and the International Monetary Fund was also discussed. With respect to these matters, the Group had emphasized the principles of multilateralism and MFN treatment, and had stressed that the trade problems of contracting parties should be dealt with under the aegis of GATT. The implementation of the Ministerial Action Programme had also been discussed in October; the Group had agreed that it should be pursued energetically, with a view to presenting constructive proposals to the 1984 CONTRACTING PARTIES session.

The representative of New Zealand said that his delegation shared the Director-General's views on the linkage between economic recovery and trade liberalization, especially in agriculture. For some time, his authorities had listened to expressions of good intentions on this point, but had seen little in the way of action. New Zealand welcomed the statement by the representative of Japan at the special Council meeting earlier that day, but noted that the newly-announced measures to open further the Japanese market appeared to offer no benefit to exporters of farm goods. His delegation had also noted that the next meeting of the Consultative Group of Eighteen in March 1984 would coincide with the meeting of the Committee on Trade in Agriculture, and that they would both focus on the question of subsidies. He suggested that the Consultative Group meet immediately before the Committee; this would enable the Group to stress the importance of achieving results in the Committee, and also might allow input from other sources such as the Working Party on Structural Adjustment and Trade Policy.

The Council took note of the report (L/5572) and of the statements.

12. MTN Agreements and Arrangements

(a) Agreement on Technical Barriers to Trade (L/5548)
(b) Agreement on Government Procurement (L/5503)
(c) Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement (L/5496)
(d) Arrangement Regarding Bovine Meat (L/5545)
(e) International Dairy Arrangement (L/5546)
(f) Agreement on Implementation of Article VII of the General Agreement (L/5491)
(g) Agreement on Import Licensing Procedures (L/5553)
(h) Agreement on Trade in Civil Aircraft (L/5554)
(i) Agreement on Implementation of Article VI of the General Agreement (L/5486)

The Chairman recalled that at the 1982 Ministerial meeting, the CONTRACTING PARTIES had decided to review the operation of the MTN Agreements and Arrangements, taking into account reports from the Committees or Councils concerned, with a view to determining what action, if any, was called for, in terms of their decision of November 1979 (BISD 26S/201). The CONTRACTING PARTIES had further agreed that the review should focus on the adequacy and effectiveness of these Agreements and Arrangements, and on the obstacles to the acceptance of them by interested parties (BISD 29S/18). At its meeting in April 1983, the Council had invited the MTN Committees and Councils to take account of this Ministerial decision in their annual reports, and to transmit these reports to the Council, so that the Council could assist the CONTRACTING PARTIES in the review called for in that decision, in the light of these reports and of observations by delegations.

The Chairman noted that the reports of the MTN Committees and Councils had been circulated, for consideration by the Council. He understood that some of the reports, for example that of the Committee on Subsidies and Countervailing Measures (L/5496), had been completed as long ago as May 1983. The relevant Committees might want to update these reports, and any such updated reports would be submitted directly to the CONTRACTING PARTIES at their thirty-ninth session.

The representative of Australia noted the Chairman's comment concerning the report of the Committee on Subsidies and Countervailing Measures, and reserved his delegation's right to refer, at the thirty-ninth session of the CONTRACTING PARTIES, to this report as it now stood and to any developments that might ensue.

The representative of Colombia referred to paragraphs 18 and 26 of the report by the Committee on Subsidies and Countervailing Measures. At the next meeting of that Committee, in mid-November, his delegation would explain the difficulties which Colombia had in accepting that Code, in particular, the obstacles raised by one contracting party member of that

Code. On a more general point, Colombia was concerned about the working methods of the Committees and Councils, which were not appropriate and did not facilitate the eventual adherence or participation of non-member countries. There were too many private meetings to which observers were not invited; and they were not even informed of what was happening in those meetings. This practice, which was becoming quite customary, was contrary to the interests of all contracting parties and to the interest of GATT as an organization. Colombia felt that there were now two GATTs: one where the contracting parties to the General Agreement were taking part, and the second GATT of the MTN Codes which was excluding a number of contracting parties, especially developing countries. This practice should be examined in depth so as to maintain the unity of the GATT system.

The representative of India said that there was room for great improvement in the working of the MTN Committees and Councils. In 1979, the CONTRACTING PARTIES had decided that the unity, integrity and consistency of GATT must be maintained. In 1982, the Ministerial Declaration had again emphasized this point. Now, after three years operation of the MTN agreements, many contracting parties had not been attracted to joining them; in most of the MTN bodies only 20 to 30 signatories were represented out of 90 contracting parties. This raised the serious question of how far the consistency and integrity of the GATT system was being maintained. India considered that it was incumbent on the signatories of these agreements to explore the reasons why other contracting parties were not attracted to joining them. There were many such reasons besides the way in which meetings of the MTN bodies were conducted. For example, there were only three developing country members of the Agreement on Government Procurement out of nearly 60 developing contracting parties; that fact spoke enough about the extent to which the need for maintaining the unity of the GATT system was being kept in mind in the operation of that Code. Section C of the report (L/5503) on that Agreement, concerning obstacles to accession, observed that the Agreement contained a number of provisions aimed at facilitating the accession of developing countries. However, if after two years of its operation, only three developing countries were members, it was obvious that those provisions were completely ineffective; or maybe, what had been lacking was flexibility by the major trading partners to consider the offers of entities by developing countries aspiring to join that Agreement. This lack of flexibility in the application not only of this Code but also of many others, was undermining the efficacy and credibility of the MTN agreements and, even more dangerous, of the whole GATT system.

The representative of Argentina said that the reports from the MTN bodies had led his delegation to conclude that if there was any unity in the GATT system, it was well hidden. There were two types of reports from the MTN bodies: those with a relatively detailed explanation on the problems of accession, and others where there was only a brief,

non-committal statement about such problems. In the case of the Committee on Subsidies and Countervailing Measures, the text of the report (L/5496) explained the problems which contracting parties were having in agreeing even on minimal procedures and in interpreting its dispute settlement procedure. Argentina considered that it was essential to consider in depth the possibility of reaffirming the unity of GATT as stated in the 1982 Ministerial Declaration.

The representative of Jamaica supported the views expressed in the previous statements. Her country had for years been particularly interested in acceding to the Agreement on Government Procurement, but the entities that Jamaica had proposed had been consistently turned down by one member of the Code. The 1982 Ministerial Declaration had made a particular reference to the need to review the Codes so as to improve accession by developing countries. Her delegation was willing to concede that developing countries which had accession problems should make further efforts to make full use of the provisions of the various agreements which mentioned preferential treatment for them; but these countries faced serious practical difficulties in implementing the agreements. This matter should be reported upon fully at the thirty-ninth session of the CONTRACTING PARTIES.

The representative of the European Communities said that as the MTN agreements went beyond the basic GATT framework and provided for fresh obligations for signatories, it was understandable that governments might feel reluctant about entering into such commitments. Reference had been made to the Agreement on Government Procurement; one could understand that certain countries preferred to keep their contracts for domestic suppliers rather than accepting the Code's commitment to open up markets to foreign suppliers. Most MTN committees, however, and certainly the Committee on Government Procurement, had examined these problems and had invited observers of interested countries to make their views known. The secretariat had also made a great effort on this front with a number of developing countries. This was a continuous process; and new commitments and efforts would need to be made to keep the procedure alive. He noted that several accessions had taken place in 1983. It was true that signatories had held private meetings, but these had been essentially organizational, and if sometimes there had been discussion on substance, reports were always given to the Committees concerned, and observers were kept abreast of developments. Criticisms had been levelled at the reports by the MTN bodies. It was true that these had been scanty in the first two years, but recently they had acquired a new dimension. For example, Section C of the report on Government Procurement (L/5503) consisted of more than a page of considerations on the obstacles to accession. The Community shared the view that contracting parties should be kept fully informed of the work carried out in the MTN bodies. He pointed out that so far, despite appeals from the Committees to do so, no observer that was a contracting party had

complained of problems to any of the Committees or Councils. On another point, contracting parties should welcome the fact that signatories to the Agreement on Trade in Civil Aircraft had agreed ad referendum to extend duty-free treatment to a large number of products, and this treatment was not reserved to imports from signatory countries only.

The representative of New Zealand welcomed the resolution of the immediate problem referred to in the report (L/5548) concerning Article 14:25 of the Agreement on Technical Barriers to Trade. New Zealand would not, however, want its support for that solution to be taken to imply that it would restrict itself to taking up any future dispute solely in the context of the provisions of that Article. New Zealand continued to consider that agricultural products and, by implication, processes and production methods, were covered by the Agreement as a whole. He also drew the Council's attention to the statement by his delegation at the Council meeting in April 1983 regarding New Zealand's understanding of the continuing nature of the review of the MTN Agreements and Arrangements.

The Council took note of the statements and agreed that the reports of the MTN Committees and Councils be forwarded to the CONTRACTING PARTIES for consideration at their thirty-ninth session, in the light of the observations made at the present meeting.

13. Committee on Tariff Concessions

- Report by the Chairman of the Committee (TAR/77)

The Chairman recalled that in January 1980, the Council had established the Committee on Tariff Concessions, with a mandate to supervise the task of keeping the GATT Schedules up to date, to supervise the staging of tariff reductions, and to provide a forum for discussing questions relating to tariffs. Since its most recent report to the Council in November 1982, the Committee had held two meetings, in February and October 1983.

Mr. Lavorel (United States), Chairman of the Committee, reported that the submission of Schedules in loose-leaf form had progressed slowly; so far, only 30 contracting parties had submitted their loose-leaf Schedules, out of a total of 62 having a Schedule. He urged contracting parties to submit their Schedules in loose-leaf form as well as to accelerate verification, so that the process of certification of Schedules could begin.

At its meeting in February 1983, the Committee had adopted a document containing special procedures for the rectification and renegotiation of GATT Schedules, which would become necessary with the introduction of the Harmonized Commodity Description and Coding System (Harmonized System) elaborated in the Customs Co-operation Council (CCC).

The Council had approved the procedures, contained in document L/5470/Rev.1, at its meeting in July 1983. Following the approval of these procedures, experts of interested delegations had held several informal meetings to draft proposals for the establishment of a common data base which would contain the data required for the negotiations under Article XXVIII. The Chairman stressed that the Committee needed to reach agreement in the near future if the secretariat was to have the data base ready for the negotiations.

The Committee had also discussed tariff escalation; the point had been made that close co-ordination should be ensured with work on certain natural resource products following the 1982 Ministerial decision (BISD 29S/20-21).

Following the recommendation by the Council at its meeting in October 1983, the question of the application of Article XXVIII to new products had been taken up by the Committee at its meeting on 20 October. Several delegations had underlined the importance of this matter and had expressed interest in participating in consultations that the Chairman of the Committee would hold to examine problems relating to the use of Article XXVIII.

The Council took note of the report.[1]

14. Uruguay - Import surcharges

- Request for extension of waiver (C/W/429, L/5567)

The Chairman recalled that by their Decision of 24 October 1972 (BISD 19S/9), the CONTRACTING PARTIES had waived the application of the provisions of Article II of the General Agreement to the extent necessary to allow the Government of Uruguay to maintain certain import surcharges in excess of bound duties. The waiver, which had been extended a number of times, was due to expire on 31 December 1983. The delegation of Uruguay had submitted a request for a further extension of the waiver (L/5567). The Chairman drew attention to the text of the draft decision contained in document C/W/429.

The representative of Uruguay recalled that his country was engaged in a complicated process of reducing, simplifying and harmonizing its import tariff through the application of a single customs tax, even though the serious world economic situation had necessitated some adjustment in this process. Supported by the IMF, Uruguay had continued with its stabilization programme to reduce fiscal and balance-of-payments deficits within a period of two years. Pressure on external payments was due essentially to the burden of short-term external debt accummulated over 1982. Uruguay had recently signed a refinancing agreement for external debt, but the adjustment requirements were enormous and the

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[1] The text of the report was subsequently circulated in document TAR/77.

restrictive monetary and wage policies were such that any short-term recovery was not to be expected. All expectations of improved economic activity were concentrated in the traditional export sector and the sector of manufactures. Nevertheless, Uruguay had maintained its basic principle of free trade, the non-imposition of quotas and restrictions on imports, and the liberalization of the financial sector. These efforts had made great demands on Uruguay, whose economy was in deep recession. However, in view of the present economic perspectives and the apparent stabilization of currencies, it seemed the time had come for Uruguay to apply an active trade policy. The long-term objective was to change the composition of the industrial sector in order to build up profit-making export trade. In the short term, the level of industrial production would be stimulated. It was in order to have time to complete the task of adjusting the concessions included in Schedule XXXI that Uruguay requested a further extension of the waiver until 30 June 1984.

The Council approved the text of the draft decision extending the waiver until 30 June 1984 (C/W/429), and recommended its adoption by the CONTRACTING PARTIES by a vote at their thirty-ninth session.

15. Turkey - Stamp Duty

- Request for extension of waiver (C/W/428, L/5565)

At their thirty-seventh session in November 1981, the CONTRACTING PARTIES had granted Turkey an extension of its stamp duty waiver until 31 December 1983 (BISD 28S/22).

The Chairman drew attention to Turkey's request, circulated in document L/5565, for a further extension of the waiver.

The representative of Turkey said that his country had implemented a series of economic, financial and monetary measures designed to improve its economy in general and its balance of payments in particular. Turkey had informed the Council of the content and coverage of those measures at its meeting on 26 March 1980. They included a reduction from 25 per cent to 1 per cent of the stamp duty on imports, complete elimination of subsidies granted to state economic enterprises, liberalization of legislation on foreign capital investment, and adoption of an exchange rate system reflecting real international rates. After more than three-and-a-half years of implementation of the stabilization programme, fairly satisfactory results had been attained in Turkey's foreign trade, but the current account balance was still in deficit. In recent years, despite an unfavourable international economic situation and protectionist pressures, Turkey had liberalized more than 90 per cent of its imports and had reduced the average incidence of its customs duty from 10 per cent in 1979 to 3.5 per cent in 1982. A Bill providing for abolition of the stamp duty had been put before the Consultative Assembly; but it was unlikely that the Assembly could finalize this

draft legislation before the November 1983 legislative elections in Turkey. His delegation was therefore requesting an extension of the waiver so that the stamp duty could be maintained until 31 December 1985.

The Council approved the text of the draft decision (C/W/428) and recommended its adoption by the CONTRACTING PARTIES by a vote at their thirty-ninth session.

I6. Committee on Trade in Agriculture

- Progress Report (L/5563)

The Chairman recalled that according to the 1982 Ministerial decision, the Committee on Trade in Agriculture shall report periodically on the results achieved and make appropriate recommendations to the Council and the CONTRACTING PARTIES not later than their 1984 session (BISD 29S/16-17). At its October 1983 meeting, the Committee had authorized its Chairman to make, on his own responsibility, a progress report for submission to the Council and the CONTRACTING PARTIES. The progress report had been circulated in document L/5563.

The representative of Argentina said that the examination in the Committee should follow the provisions of the Ministerial decision, which stipulated that the special needs of developing countries shall be fully taken into account in the light of the GATT provisions providing for differential and more favourable treatment for such contracting parties. This key point had not been dealt with so far. As for the problem of subsidies, the essential question was to know whether individual contracting parties were ready to accept further disciplines in this field. If such disciplines could be agreed upon, one would have to see whether it was necessary to review Article XVI, taking into account the needs of developing countries in this particular field. During discussions so far, some contracting parties had mentioned assistance to exports such as financial aids and surplus disposal policies; these were very relevant to the general problem of subsidies.

The representative of Australia welcomed the constructive attitude shown in the Committee's preliminary discussions, but continued to be concerned about the lack of policy direction in its work. It now looked as if no high-level policy input could be injected into the Committee's work until March 1984. This was a bit late. His delegation considered that contracting parties needed to draw back from bilateral deals and re-commit themselves to multilateral, GATT-consistent, practical solutions for liberalizing agricultural trade. In much of the Committee's discussion so far, reference had been made to the well-known phenomenon that "all are transgressors". Australia would like to focus more on the trade-distorting effects of certain measures, i.e., give some weighting to the damage that some of these measures caused in international trade, and also some weighting to redressing particular

problems urgently. The Committee should face squarely the issue of identifying the extent and form of agricultural protectionism, and should make a strong endeavour to develop initiatives which might lead to gradual freeing of agricultural trade.

The representative of New Zealand said that the October 1983 meeting of the Committee had been useful and encouraging, but the Committee still had not addressed the essential problems directly enough. New Zealand was convinced of the potential of the Committee as a multilateral vehicle for liberalizing agricultural trade. However, greater political will and direction were needed, and he endorsed the comments made on that point by the representatives of Australia and Argentina. His delegation also agreed with those who urged strengthening the multilateral trading system. Finally, he joined the Chairman of the Committee in urging contracting parties that had not yet submitted their notifications, to do so, in order that they might play a full and active role in the Committee.

The representative of Hungary said that the Committee had done useful work. The exercise, carried out on the basis of notifications, had brought about increased transparency in respect of agricultural trade measures; however, transparency was not an end in itself. The exercise had created the necessary conditions for the Committee to make recommendations for achieving greater liberalization in agricultural trade and to agree on certain disciplines in agricultural subsidies. Hungary believed that the Committee should begin as soon as possible the second substantive stage of its work, and shared the view that policy direction should be given to the Committee as early as possible to enable it to fully discharge its mandate.

The Council took note of the progress report (L/5563) and of the statements.

17. United States - Agricultural Adjustment Act

- Report of the Working Party (L/5569)

The Chairman recalled that in April 1983, the Council had established the Working Party to examine the twenty-fifth annual report submitted by the United States under the Decision of 5 March 1955 (BISD 3S/32), and to report to the Council. The report of the Working Party had been circulated in document L/5569.

Mr. Grünwaldt (Uruguay), Chairman of the Working Party, introduced the report. He said the Working Party had carried out a substantive discussion of the matter under examination, reviewing all aspects contained in the twenty-fifth report (L/5469). It had studied the question of possible actions by the US Government which could lead to terminating the waiver, an issue which had often been discussed with

reference to the objectives of the Committee on Trade in Agriculture. He added that the Working Party's report contained various positive points, and he drew attention to the concluding statement by the US representative as contained in paragraph 35. He noted that for the first time in several years, the Working Party's report had been submitted to the Council within the time-frame required by the 1955 Decision.

The representative of Australia said that while his delegation could accept the Working Party's report, it remained unhappy with the failure of the United States, in the context of the Working Party's examination, to respond to Australia's request for a clear commitment to terminate the waiver. With reference to paragraphs 34 and 35 of the report, Australia accepted the role of the Committee on Trade in Agriculture in examining the waiver, but remained opposed to any efforts to deflect discussions of the waiver solely to the Committee, and was concerned at the heavily qualified nature of US intentions with respect to discussions in the Committee. This made it clear that the United States would not move on the waiver in advance of trade liberalization in this sphere by others. Australia opposed any US expectation that Australia might pay a price for the dismantling of the waiver. If the twenty-sixth annual report, due in November 1983, showed no positive signs of a commitment by the United States to remove the waiver, Australia intended to seek the establishment of another working party.

The representative of Chile said that his delegation shared the views expressed by the representative of Australia on this matter, as well as those expressed by a number of members of the Working Party as set out in the report, particularly in paragraphs 9, 10, 11, 29 and 30. Maintenance of this waiver as a permanent feature of US trade policy constituted a serious imbalance in the rights and obligations of the contracting parties; it also created a situation of inequity in world agricultural trade. Chile expected that on the occasion of the twenty-sixth annual report soon to be submitted, the CONTRACTING PARTIES would examine with the United States, in depth, possible alternative measures compatible with the General Agreement which might be applied so as to terminate the waiver in the near future.

The representative of New Zealand said that the task of examining the waiver became increasingly important the longer it remained in existence. His delegation saw this exercise as separate but possibly complementary to the examination of the waiver in the Committee on Trade in Agriculture. The waiver was an indulgence, and its removal was therefore not a matter for negotiation. New Zealand looked forward to receiving the twenty-sixth annual report before the thirty-ninth session of the CONTRACTING PARTIES.

The representative of Brazil said that his delegation shared the views expressed in the earlier statements. His authorities wanted a commitment by the United States to terminate the waiver.

The representative of the European Communities said that there was a glimmer of hope in the statement by the US representative in paragraph 35 of the report, although that statement was ambiguous. The Community shared Australia's view that the waiver was not negotiable, and therefore expected a firm commitment from the United States as soon as possible to terminate the restrictions in question without payment by other contracting parties. This would naturally be discussed in the Committee on Trade in Agriculture but, failing some positive move by the United States, yet another working party would have to be created.

The representative of Argentina said that his delegation supported the views expressed by the representatives of Australia and New Zealand on this issue, as well as the views expressed in paragraph 29 of the report.

The representatives of Canada and India said that their delegations supported the general thrust of the views expressed by the representatives of Australia, Chile, New Zealand, the European Communities and Argentina. They hoped that the United States would soon take positive action toward the progressive reduction and final elimination of the restrictive measures under the waiver, and said that this was not a matter for negotiation.

The representative of the United States noted that the comments by representatives were similar to many made in the Working Party; rather than answering them in detail, he drew attention to paragraphs 34 and 35 of the report, which gave the US view on this matter, and also to paragraph 4 of the progress report (L/5563) of the Committee on Trade in Agriculture, which was also relevant to this issue. The United States expected to submit its twenty-sixth annual report during November 1983.

The Council took note of the statements and adopted the report.

18. Committee on Balance-of-Payments Restrictions

(a) Consultation with Portugal (BOP/R/134)

Mr. Feij (Netherlands) Chairman of the Committee on Balance-of-Payments Restrictions, said that at the consultation with Portugal in October 1983, the Committee had noted that since the last consultation, Portugal had temporarily increased its 10 per cent surcharge to 30 per cent, and had retained other existing restrictive measures. The Committee had regretted that a schedule for the removal of these measures had not yet been announced, and had again requested the Portuguese authorities to announce a time-table for the removal of the restrictive import measures as soon as possible. The Committee had welcomed the information that the licensing systems were not intended to be

restrictive and that the Portuguese authorities intended to make the licensing procedure more transparent and less subject to delays. The Committee had noted with satisfaction the Portuguese authorities' intention to reduce the 30 per cent surcharge to 10 per cent by 1 January 1984. The Committee had requested Portugal to reduce its reliance on restrictive import measures for balance-of-payments purposes as soon as the stabilization programme took hold.

The Council took note of this information and adopted the report.

(b) Consultations with Egypt, Korea and Sri Lanka (BOP/R/133)

Mr. Feij said that in October 1983 the Committee had held consultations with Egypt, Korea and Sri Lanka under the simplified procedures. He said that with respect to Egypt and Sri Lanka, the Committee had decided to recommend to the Council that these countries be deemed to have fulfilled their obligations under Article XVIII:12(b). Concerning Korea, the Committee had noted that since the last full consultations in 1979, a number of changes in its import system had been instituted and that further changes were anticipated. In view of the number of years that had elapsed since the last full consultation, the changes in the import system and the improvement in Korea's balance-of-payments situation in recent years, the Committee had decided that full consultations should be held.

The Council took note of this information and adopted the report. The Council agreed that Egypt and Sri Lanka be deemed to have fulfilled their obligations under Article XVIII:12(b) for 1983, and agreed that a full consultation should be held with Korea, the exact date to be decided in accordance with the usual consultative procedures.

19. Canada - Foreign Investment Review Act (FIRA)

- Report of the Panel (L/5504)

The Chairman recalled that the Council had most recently considered this item at its meeting on 3 October 1983, and had agreed to revert to this item at its next meeting.

The representative of Canada said that the Panel's findings were of considerable importance to his country and warranted serious study; the report was currently under active consideration by key Canadian Ministers. As it had not been possible to complete this consideration, due to factors unrelated to the substance of the report, Canada would appreciate the Council's agreeing to revert to this item at its next meeting.

The representative of the United States regretted that the Canadian authorities were not yet in a position to accept adoption of the report; but his delegation understood the sensitivity of this issue in Canada. The United States was willing to postpone consideration of this item until the next Council meeting, but it expected a full discussion and Council adoption of the report at that meeting.

The Council took note of the statements and agreed to revert to this item at its next meeting.

20. Training activities (L/5559)

The Director-General introduced the 1983 report on the secretariat activities in the field of training (L/5559). He recalled that at the 1982 Ministerial meeting it had been agreed to increase participation in the GATT commercial policy courses and to include a regular course in the Spanish language. The number of trainees per course had now been increased from 20 to 24; but it had not been possible to increase the number beyond 24 as this would involve a very substantial outlay for offices, larger conference rooms and staff. The first regular Spanish-speaking course would take place in February-June 1984. It would be followed by an English-speaking course in the autumn and by a French-speaking course beginning February 1985.

He recalled that in order to maintain the link between the secretariat and past trainees, a Newsletter had been sent out on a trial basis. In view of the warm reception given to the first issue, the secretariat would continue to publish the Newsletter periodically.

He expressed his gratitude to the UNDP for its continued liaison between governments, candidates and the secretariat. He particularly thanked the Government of Spain and the Commission of the European Communities as well as the Governments of Finland and the Netherlands for receiving the participants of the 54th and 55th courses during study tours carried out in 1982 and 1983, and the Italian authorities for hosting the current group of participants in the study tour which would take place towards the end of 1983. He also thanked the Swiss authorities, who continued each year to receive the GATT trainees for a one-week study tour in Switzerland.

Finally, he expressed his appreciation to those members of delegations and representatives of other international organizations who had generously given their time to discuss various questions with the participants in GATT courses.

The representative of Korea noted with interest the follow-up action described by the Director-General to maintain links between the secretariat and past trainees. His delegation supported the principal

aim of the courses, as set out in paragraph 2 of document L/5559, and hoped that they would continue and expand if possible in order to accommodate all the aspirant candidates.

The representative of Indonesia said that the annex to that document showed the area distribution of participants was very wide-ranging. Her delegation welcomed the introduction of Spanish language courses and the increase in the number of trainees per course. It also welcomed the efforts of the secretariat in sending publications such as "Focus" to former trainees.

The representative of Colombia, on behalf of the Spanish-speaking countries in GATT, thanked the secretariat for establishing the first regular Spanish-language course. This was most useful and would enable the officials from their countries to inform themselves better of the activities of GATT.

The representative of Egypt proposed that the GATT training programme be expanded to include a short two-week seminar for senior trade policy officials from capitals, who might need some orientation on the General Agreement and on GATT bodies. Their increased knowledge of the Agreements negotiated during the Tokyo Round and the Action Programme resulting from the 1982 Ministerial meeting would facilitate their formulation of international trade policy and, inter alia, the work of their delegations in GATT fora. In support of his proposal, he recalled the Nordic countries' 1980 short seminar in GATT for officials of the least-developed-countries. If budgetary limitations prevented the establishment of such a short seminar for senior officials, an appeal should be made to developed contracting parties to assist the secretariat in this respect.

The representative of Uruguay said that the courses were particularly valuable to small countries, which had a serious problem in the training of administrative personnel responsible for trade policy. They would be all the more valuable since, for the first time, a course was to be held in Spanish. This was extremely important for the officials in his administration to enable them to be more fully acquainted with GATT problems.

The observer for Venezuela referred to the participation of Venezuelan officials at various times in the GATT courses and thanked the secretariat and the Council for the opportunity granted to them.

The representative of Romania expressed his authorities' appreciation for GATT activities in the field of training, which were of great importance for the developing countries.

The Council took note of the report by the Director-General and of the statements.

21. Administrative and financial questions

- Report of the Committee on Budget, Finance and Administration (L/5564)

Mr. Rigault (France), Chairman of the Committee on Budget, Finance and Administration, introduced the Committee's report (L/5564).

He said that the most worrying problem met by the Committee was the uncertainty of the secretariat's cash position; the Director-General had been on the point of having to ask for a temporary bank overdraft. Some recently received contributions, amounting to nearly Sw F 8,000,000, would only cover essential expenditure until the end of 1983. Failing other payments, outstanding contributions at 31 December 1983 might amount to about Sw F 9,000,000, compared to Sw F 6,400.000 at the end of 1982. Consequently, the deficit for financial year 1983 might be considerably greater than in the previous year, despite budgetary savings of more than Sw F 1,000,000 by the secretariat. The Director-General could again be faced with a shortage of cash at the beginning of 1984 if payment of contributions did not substantially improve by then. For this reason, he drew the Council's attention to paragraph 21 of the report recommending an urgent appeal to Governments to meet their financial obligations promptly.

He added that when examining the 1984 expenditure estimates, the Committee had been pleased to find that the Director-General had been able to reduce substantially the initial estimates, bringing the rate of inflation used in the budget into line with the most recent projections. Nevertheless, the Committee had studied GATT's budget provisions keeping in mind the concern of Governments to ensure a zero real growth rate together with substantial absorption of inflation and of the inevitable statutory increases. The Committee had thus been able to agree with the Director-General on further reductions, the details of which were set out in paragraph 38 of the report. These brought the total budget for 1984 to Sw F 51,805,000, an increase of less than 4.4 per cent compared to 1983.

As regards the proposed programme budget of the International Trade Centre (ITC) for 1984-85, the Committee had received the necessary explanations and assurances; it therefore recommended the Council to approve the 1984 expenditure estimates for the ITC and the amount of the contribution to be paid by GATT.

The representative of Canada said that his delegation wanted to emphasize the gravity with which it viewed the problem of outstanding contributions, and the need for contracting parties to meet their budget obligations promptly.

The representatives of Colombia, Cuba and Brazil expressed the concern of their delegations at the implications of paragraph 37 of the report. They were concerned that limited expenditure for interpretation during the Spanish-speaking commercial policy course might reduce its quality.

The Director-General said that even with the proposed reduction, it would be possible to provide interpretation services during the Spanish-speaking courses. In addition, there would be lecturers from Spanish-speaking delegations in Geneva, just as from French- and English-speaking delegations for the other courses. Regarding GATT documents, he announced that the secretariat was now in a position, because of economies, to translate all documents into the three official languages, if not always simultaneously.

The representative of Jamaica pointed out that paragraph 15 of the report mentioned that the 1983 expenditure budget was expected to close with a saving of Sw F 1,375,000, but that this money would probably be used towards repayment to the Working Capital Fund. She asked why such savings did not go to the regular budget and thereby affect the assessed contributions of contracting parties. Turning to paragraph 11, she wondered why the estimated increase of the 1984 budget was 4.7 per cent over 1983, while the rate of inflation in Switzerland might only be 2.5 per cent. Thirdly, she referred to page 16 of the report, where Part II, Section 3(ii) referred to estimated expenditure in 1984 of Sw F 4,411,000 for temporary assistance and consultants. Her delegation found this figure excessively high, and also considered that it should be broken down. Jamaica had no difficulty accepting the report, but sought clarification on these points. It also joined in exhorting contracting parties to pay their contributions promptly.

The representative of Spain said that his delegation had no doubt that the secretariat would do everything possible to make the Spanish-speaking training courses successful. Spain also welcomed the Director-General's announcement that in future all GATT documents would be produced in Spanish.

The Director-General said that the provision for temporary assistance and consultants, which was broken down in the budget estimates (L/5520), was one of the most difficult budget items to plan in advance because of unforseeable variables. As for paragraph 11, when the budget estimates (L/5520) had been drawn up in July 1983, the calculations had been made on the basis of an inflation rate of 4.75 per cent. Since then, the inflation rate in Switzerland had been substantially lower than expected; this was reflected in the revised budget recommended in document L/5564, which was based on a 2.5 per cent inflation rate. The 1984 budget covered the full-year impact of the decisions taken at the Session of the CONTRACTING PARTIES at Ministerial level in November 1982.

Also, Ministers had decided to improve the dispute settlement system and its operation; on at least two occasions, GATT had been obliged to resort to outside experts. With regard to the anticipated 1983 savings, it was not possible to use them to reduce contributions until priority obligations had been met. At the end of 1982 it had been necessary to withdraw from the Working Capital Fund to cover the deficit on the General Fund resulting from the increased level of outstanding contributions, and this withdrawal would have to be repaid first.

The Director-General said that the savings indicated in the report were real savings, and were the result of an all-out effort by the secretariat to reduce expenditure to a minimum; they were also the result of delays in the often difficult recruitment process, partly due to the employment conditions that the secretariat was able to offer.

The Council took note of the statements, approved the recommendations of the Committee in paragraphs 14, 20, 21, 44, 46 and 55, and agreed to submit the draft resolution in paragraph 46 to the CONTRACTING PARTIES for consideration and approval at their thirty-ninth session.

With regard to paragraph 21, the Council made a special plea to governments to meet their financial obligations fully and promptly by paying their pending contributions immediately, and to pay each year's contribution as early as possible in the year in which it falls due, in order to avoid cash-availability problems.

The Council approved the report (L/5564) and recommended its adoption by the CONTRACTING PARTIES at their thirty-ninth session, including the recommendations contained in the report and the Resolution on the Expenditure of the CONTRACTING PARTIES in 1984 and the ways and means to meet that expenditure.

22. Report of the Council (C/W/426)

The secretariat had distributed in document C/W/426 a draft of the Council's report to the CONTRACTING PARTIES on the matters considered and action taken by the Council since the thirty-eighth session.

Some representatives proposed amendments to the draft, which were accepted.

The Chairman requested the secretariat to insert the amendments proposed as well as suitable additional notes regarding discussion and action taken at the present meeting.

The Council agreed that the report, with these amendments and additions, should be distributed and presented to the CONTRACTING PARTIES by the Chairman of the Council.