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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
5-6 June 1985

MINUTES OF MEETING

Held in the Centre William Rappard
on 5-6 June 1985

Chairman: Mr. K. Chiba (Japan)

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1. Saudi Arabia - Request for observer status (L/5800)

The Chairman drew attention to a communication from Saudi Arabia, asking for observer status in the Council (L/5800).

The Council agreed to grant Saudi Arabia observer status for Council meetings.

After being invited to enter the meeting room, the representative of Saudi Arabia, speaking as an observer, expressed gratitude to contracting parties for supporting his Government's request for observer status. His country had for many years been increasingly involved in the activities of a number of international economic organizations such as the World Bank and the International Monetary Fund, and was very conscious of the interdependence between monetary and financial issues on the one hand, and trade relations on the other. Saudi Arabia believed in the advantages of freer trade for all those involved in it, and thus had a very liberal import policy with low tariffs. He said his Government had sought observer status in the Council in order to form a basis for deciding on Saudi Arabia's possible future accession to GATT.

The representatives of Egypt, Korea, India, the European Communities, Pakistan, Indonesia on behalf of the ASEAN countries, Argentina, Bangladesh, Japan, Canada, Turkey and Finland on behalf of the Nordic countries welcomed the Council's decision to grant Saudi Arabia observer status for Council meetings.

The Council took note of the statements.

2. "Trade Policies for a Better Future" - Report by an independent Study Group (C/133)

The Chairman recalled that the Council, at its meeting on 30 April and 1 May 1985, had discussed the report "Trade Policies for a Better Future", which an independent Study Group had presented to the Director-General in March 1985 and which had subsequently been circulated to the contracting parties with document C/133.

The representative of Brazil recalled that when the Council had discussed this report, the Director-General had made a statement expressing his views on it; he asked if that statement could be made available to delegations.

The Director-General said that this would be done[1].

The Council took note of the statements.

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[1]The text of the Director-General's statement to the Council on 30 April 1985 was distributed to representatives at the present meeting.

3. Recent developments in international trade and their consequences for GATT, and status of implementation of the 1982 Ministerial Work Program (L/5804, L/5818 and Add.1)

The Chairman recalled that at its meeting on 30 April and 1 May, the Council had discussed the prospects for a new round of multilateral trade negotiations. One delegation had suggested at that meeting that the Council revert to this matter at its next meeting under the heading "recent developments in international trade and their consequences for GATT". Another delegation had suggested that the discussion on this item should also include "the status of implementation of the 1982 Ministerial Work Program". The Council had accepted both proposals and had agreed to revert to this item at the present meeting.

The representative of India read out a statement (L/5818) entitled "Improvement of World Trade Relations", on behalf of 23 less-developed contracting parties[1].

A number of representatives expressed the satisfaction of their delegations that the prospects for a new round of multilateral trade negotiations in GATT were finally being debated in the Council, after being discussed in other international fora.

The representative of Bangladesh endorsed the statement in L/5818. He added that whereas the 1982 Ministerial Declaration had provided for halting protectionism and for rolling back restrictive trade measures, there was now an unprecedented surge of protectionism at the same time as the major developed countries were calling for a new round of multilateral trade negotiations. Contrary to the undertakings in the Ministerial Declaration, least-developed countries had been subject to increased restrictive measures since 1982. He mentioned in particular quota restrictions against textile exports from Bangladesh which he considered contravened not only the Ministerial Declaration but also Article 6 of the Multifibre Arrangement (BISD 21S/3) and paragraph 12 of the 1981 Protocol of Extension (28S/3). He hoped that there was a will among most contracting parties to reverse the present unabated deterioration of world trade relations and the disregard by developed countries of their commitments as expressed in the General Agreement and the Ministerial Declaration.

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[1] Argentina, Bangladesh, Brazil, Burma, Cameroon, Colombia, Cuba, Cyprus, Egypt, Ghana, India, Ivory Coast, Jamaica, Nicaragua, Nigeria, Pakistan, Peru, Romania, Sri Lanka, Tanzania, Uruguay, Yugoslavia and Zaïre (L/5818), to which Trinidad and Tobago was subsequently added (L/5818/Add.1).

The representative of Singapore, on behalf of the ASEAN countries, noted that they relied heavily on export earnings for their economic growth and social development; they were therefore concerned at the proliferation of protectionist measures against developing country exports. Now was the time to effectively implement trade liberalization, and in any such process, market access had to be maintained and improved for developing country exports. The fulfilment of commitments made at the close of the Tokyo Round and in the 1982 Ministerial Declaration, including those concerning standstill and rollback of protectionist measures, should be given priority. Among issues of particular interest to the ASEAN countries were: liberalization of trade in agriculture, tropical products, natural resource based products, textiles and other products or sectors of interest to ASEAN; reinforced commitment to the principle of special and differential treatment for developing countries; and a comprehensive understanding on safeguards based on the most-favoured-nation principle. The ASEAN countries were ready to join in the search for a consensus on how best to proceed towards a process of genuine trade liberalization, provided their concerns and preoccupations were fully taken into account and given priority.

The representative of the United Kingdom, on behalf of Hong Kong, said that while it was too soon to take any definitive or detailed view on the launching of multilateral trade negotiations, the present meeting provided a useful opportunity to hear different views on this issue. None would disagree with the broad aim of strengthening the multilateral trade system by further liberalization; it was also reasonable to stress that any moves in this direction should not be allowed to become an excuse for sweeping aside the results of the 1982 Ministerial meeting, and that any new protectionist measures could undermine the prospects for any such negotiations. Referring to textiles and clothing, he noted that Hong Kong, along with other developing country exporters of these products, had participated in April 1985 in a workshop in Mexico City to review world trade in textiles; Hong Kong fully subscribed to the communiqué which had emerged from that conference and which constituted the definitive record of their present broad position on textiles. In that communiqué, the participants had reaffirmed their commitment to the objective of full application of the normal rules and principles of the multilateral trading system to the textiles and clothing sector. They regarded a categorical and unconditional commitment by the importing countries to apply such rules and principles as constituting the first step for meaningful future work on textiles and clothing. In this context, it was considered that actions must be directed to significant and substantial liberalization. Participants had also reiterated their determination to continue to work in a constructive and positive manner in the discussions of the Working Party on Textiles and Clothing.

The representative of Turkey said that the commitments in the 1982 Ministerial Declaration had been constantly violated and rendered almost meaningless, while little if any progress had been made in any of the major areas covered by the Work Program. His delegation took a particular interest in the liberalization of trade in textiles and agricultural products; however, no concrete progress had been possible on these two important topics. It had also become evident that an increasing number of contracting parties considered the implementation of the Work Program as a package which could only be handled through multilateral trade negotiations. Turkey believed it was in the interest of all contracting parties that such negotiations take place within GATT. There was danger that bilateral deals would proliferate if such negotiations were not begun and that this would doubtless bring the ruin of the multilateral trading system. It was also clear that in order to be successful, the negotiations had to be well prepared. Their content needed to be defined clearly so as to be of interest to all contracting parties, including the developing countries, which had a major stake in the system. There had to be definite undertakings to respect commitments accepted in the context of such negotiations. It also had to be acknowledged that the main obstacles to trade were no longer tariffs, but non-tariff barriers and the proliferation of voluntary restraint arrangements which were contrary to GATT's basic principles. Furthermore, the connexion between international trade and monetary and financial matters should not be ignored. One of the causes of imbalance in the international trading system was the uncertainty in monetary and financial markets; developing countries could not be asked to open their markets if at the same time measures were not taken to reduce this instability. In particular, the burden put on heavily-indebted developing countries by high interest rates as well as by unstable exchange rates, needed to be fully understood. Unless there was a clear guarantee that this problem would be appropriately addressed, any contribution which some of the middle-ranking developing countries might bring to liberalizing international trade would necessarily be short-lived. Moreover, all developing countries would need to be provided with an increased flow of financial resources, direct investments from industrialized countries and higher development aid. Turkey believed that if some effort was made in the coming months by industrialized countries to observe their undertakings in paragraph 7 of the Ministerial Declaration, this might help allay some of the hesitations felt by many developing countries with respect to starting a new round. Developing countries needed concrete assurances that markets of the industrialized countries would be opened to their products.

The representative of Korea said that a new round of multilateral trade negotiations was needed to combat and reverse protectionist trends, to stop further deterioration of the multilateral trading system, and to liberalize world trade on the basis of multilateralism. It was logical to demand that all contracting parties pledge to freeze protectionist measures whilst the negotiations were being conducted.

Implementation of the 1982 Work Program should be given priority in the new round. Regarding any new issues for negotiation, the principle of preferential treatment for developing countries must be upheld so that they could have a fair chance of development. Korea considered that the concept of free and fair competition lay at the heart of the GATT system. Developing countries were entitled to special treatment in facing competition with the industrialized countries.

The representative of the United States said that his country's recent record in international trade was relatively good; for example, the United States was taking two-thirds of the world's exports under the Generalized System of Preferences, and imported more steel than Europe and Japan combined. He emphasized that Congress and the Administration were currently under great domestic pressure from industries and constituents seeking protection. Nevertheless, the United States was determined to proceed with a new round of multilateral trade negotiations though it recognized that this was not going to be an easy task. His delegation considered it essential to hold a senior level official meeting as soon as possible, preferably in July, to come to grips with the difficult issues proposed for negotiation. The United States remained willing to discuss each and every issue put up for discussion, so long as the issues which it considered important were included. Negotiation meant a process of give-and-take between individual contracting parties rather than between blocs, so that the contracting parties could collectively benefit from the results. He noted that the US dollar had been relatively strong over the past few years, but wondered what would happen if and when it started to fall and made the US market harder to penetrate. If US growth also started to decline, there could be some real problems; that was why the President wanted the new round to begin in early 1986.

The representative of the European Communities said it was evident from the statement by 23 less-developed contracting parties (L/5818) that the new round of multilateral trade negotiations had now started. The Community wanted to give its initial, detailed reaction to that statement, so as to launch a dialogue which had been delayed for too long. First, he referred to what he called the main message in the statement, where in paragraph 7 the 23 less-developed contracting parties declared that they would "... be prepared to make a proposal for specific multilateral trade negotiations confined to trade in goods only ...." The Community understood this to be an opening negotiating position, which nevertheless showed a readiness to envisage a new round. Delegations could now discuss how the round should be conducted and on what subject matter. Even given this basic hypothesis that there were no longer any fundamental objections to the principle of a new round, what remained to be done would not be easy, but the vital fact was that it would all be negotiable.

He then commented on the statement paragraph by paragraph. On paragraph 2, he said that the Community had never relaxed its efforts to seek consensus and build confidence leading to a new round. It was, however, arguable whether preservation of the system was a prerequisite for strengthening it, or whether strengthening did not also have to be negotiated. Furthermore, opinions varied on the extent to which the 1982 Ministerial Work Program had been implemented. As for paragraph 3, his delegation felt that this was couched in United Nations rather than GATT language. It was not correct, in the Community's view, to say that implementation of the Work Program had come to a virtual halt, particularly in areas of interest to developing countries. It was not justifiable or fair to imply in the final sentence of that paragraph that developed contracting parties had asserted that further progress in specific areas could be possible only in the context of a new round. However, one positive point seemed to be that there was general agreement that GATT should continue to show itself capable of evolution and of adapting itself to new circumstances and challenges: long-term rather than short-term considerations had to prevail in this context. He said that the argument in the last sentence of paragraph 4 was correct but incomplete; increased market access and trade could be based only on worldwide stability and expansion, and those could be ensured only through negotiation. He found the concept of asymmetry in paragraph 5 rather baffling; perhaps it could be clarified. Similarly, the Community would appreciate clarification of the concept of the "charter of GATT" in paragraph 6. As for the "new themes" referred to in the same paragraph, his delegation assumed that this was only an initial negotiating position, because if it were anything else, the Community could only reject it. As to "event planning", it had to be understood that some contracting parties were impatient to begin the process of negotiation. If no one had dragged their feet, there would be no great problem about event planning; the importance of this aspect should not be exaggerated, since it also was negotiable.

The Community understood paragraph 7 as a message of readiness to negotiate and as a preliminary proposal on what should be covered in the negotiations. Looking at the specific subjects one-by-one, he noted that the Community had committed itself to negotiate on agriculture; this had to be appreciated as a step forward compared to the situation five years previously. Sometimes it was necessary to look not only at what remained to be achieved, but at what had already been achieved, for example in the Committee on Trade in Agriculture. As for the protection of the rights of developing countries, the Community was also prepared to negotiate on this matter, but considered that the question of developing country obligations should be addressed as well. Furthermore, there should be examination and dialogue on the extent to which special and differential treatment had really contributed to the development of the less-developed contracting parties. The Community did not at present see how it would be possible, as demanded in L/5818, to quantify application of GATT provisions on special and more

favourable treatment for developing countries. Turning to paragraph 8, he said the Community was ready to discuss and negotiate the concepts of standstill and rollback. However, the concept of standstill should not be used to freeze existing imbalances and to consolidate unjustified privileges. Section B contained proposals and well-known ideas on a wide range of problems, on all of which the Community was prepared to negotiate. As for trade in textiles, full liberalization by all was a goal shared by the Community, but it had to be negotiated. Turning to tropical products, he commented that some of the 23 less-developed contracting parties would have to make up their minds whether they wanted the Community to treat them as associates or not. On subsidies and countervailing and anti-dumping measures, the Community felt that it had acted within GATT, but here again it was ready to discuss improvements. As for safeguards, negotiation was necessary even if one was not optimistic; his delegation would prefer here to mention not only the provisions but also the practices of the General Agreement. On dispute settlement, the Community was ready to seek negotiated improvements. He said that Section C, concerning differential and more favourable treatment for developing countries, posed a fundamental problem; the Community did not question the relevant GATT provisions, but did not accept that their implementation should be static and that a developing country should forever condemn itself to remain in that category. GATT provisions on special and differential treatment were acceptable so long as criteria could be developed and negotiated to ensure their dynamic implementation. As for paragraph 9, on the link between development, trade, money and finance, the Community was on the same wavelength as the 23 less-developed contracting parties, and was committed to making the international monetary system more stable and efficient.

In conclusion, he said that his statement constituted a negotiable counter-proposal to the statement in L/5818. It was now time to propose formally the setting up of an informal mechanism so that the contracting parties could forge ahead with in-depth discussion of all issues to be negotiated. The basic texts for discussion and negotiation were already at hand and included the statement in L/5818, the resolution by the Community's Council of Ministers on 19 March 1985, the statement by EFTA Ministers on the prospects for a new round (L/5804), and other statements such as those made at the present meeting by Singapore on behalf of the ASEAN countries, and by Korea. The Community was not calling for negotiations for their own sake, but because only negotiations could permit the political process of examination of trade policy options which would form the multilateral framework of the decades to come.

The representative of Japan said that a consensus seemed to be emerging on the urgent need for joint action in GATT to halt and reverse the trend of protectionism, even though there were differences on exactly how the problem should be tackled. His delegation had noted from the statements so far in the discussion that one developing

country considered a new round to be crucial for trade liberalization and that a group of developing countries had stated that they were prepared to join the search for a consensus on how best to proceed with a new initiative for trade liberalization. He added that the group of 23 less-developed contracting parties had emphasized in L/5818 the urgent need for confidence-building measures to restore credibility to the multilateral trading system; however, Japan doubted whether specific multilateral trade negotiations confined to trade in goods only, as proposed in L/5818 and hedged with many prerequisites, could effectively resist the rising tide of protectionism and build a viable trading system for the rest of the 20th century.

Japan believed that a new round could contribute to achieving three major objectives: first there was the urgent task of restructuring the international trading system based on GATT principles; the erosion of GATT's non-discriminatory, multilateral principles had to be halted and reversed before it became too late. Second was the need to improve the trade environment of developing countries, taking account of debt accumulation and shifts in comparative advantage. The new round would particularly benefit the developing contracting parties by opening up vast opportunities for increasing their trade. Items of particular interest to these countries should, of course, be included in the subjects for negotiation in the new round. Third was the adaptation of GATT to changes in economic and trade structures, such as the increasing weight of trade in services and in counterfeit goods. Otherwise, many countries would resort to bilateral or plurilateral approaches which would not be in the interest of the world economy in general or of any country not involved in particular bilateral or plurilateral deals. As for the reference in L/5818 to the link between development, trade, money and finance, his delegation noted that the next meeting of the Interim Committee of the International Monetary Fund, to be held in Seoul in October 1985, was expected to discuss the functioning of the monetary system with a view to making it more stable and effective. Japan believed that the negotiating items for the new round should be formally agreed by consensus during the preparatory process; it would be possible to sort out the items through further elaboration of the major elements in the 1982 Work Program, in parallel with the preparatory process for the new round. The new negotiations would thus carry the Work Program forward from the stage of exploring and identifying problems in several difficult areas, to that of working out jointly agreed solutions. It was important to have a well-balanced package, which could include the major issues in the Work Program such as textiles, tropical products, agriculture, tariffs, safeguards, services and counterfeit goods. As for modalities of the new round, more intensive deliberations might be needed. Japan was considering how it could best contribute to such deliberations, including a formula by which tariffs on industrial products could be reduced. Furthermore, Japan believed that the new round would have to be global, comprising a significant number of developed and developing countries. The objectives could not be achieved by bilateral or plurilateral

negotiations, nor by the formation of customs unions or free-trade areas under Article XXIV. His delegation was convinced that the subject matter and modalities of the new round had to be decided by consensus, and this was why Japan was proposing a preparatory meeting of senior officials to consider various proposals on subject matter and modalities. Participation in the preparatory process did not constitute a commitment to participate in the new round itself. The process should be started as soon as possible, and Japan saw no reason why such a preparatory meeting could not be held in July 1985.

The representative of Austria said that the statement by 23 less-developed contracting parties was an important and substantive contribution to the discussion on a new round. He noted that Austria had followed a similar line of argument to the one in L/5818 that implementation of the 1982 Work Program would provide the necessary basis for a new round of multilateral trade negotiations. However, little progress had so far been made, and with the recent intensification of international discussion on holding a new round, the question now seemed to be how to break out of the vicious circle. Austria believed that new initiatives in GATT were necessary to provide the framework for negotiations and to create the political motivation for renewed commitment to GATT principles. While his delegation shared in general the concerns expressed by developing countries about the deterioration of the multilateral trading system, it was misleading to say that no progress whatsoever had been made in implementing the Work Program. The examination of all aspects of trade in agricultural goods, the ongoing work by the Group on Quantitative Restrictions and Other Non-Tariff Measures, the consultations within the Committee on Trade and Development and the work done by the Working Party on Textiles and Clothing had all advanced. Some developed countries, such as his own, had taken measures to improve access to their markets for products from developing countries. The EFTA countries had brought forward their implementation of Tokyo Round tariff cuts and Austria had introduced new special tariff reductions or duty-free treatment for some tropical products. He went on to say that the maintenance of a multilateral system of open trade was of highest interest to both developed and developing countries; a new round of negotiations should above all serve this purpose, and should not be seen in a North-South context. A broad consensus on the substance and modalities of the new round was needed, so that all contracting parties could find their interests properly reflected. It had to be recognized that patterns of world trade had continued to develop since GATT's foundation in 1947. Consequently, Austria considered that the negotiating issues should include traditional items governed by existing GATT rules as well as other items aiming at or requiring a certain adaptation or enlargement of existing rules and principles. The issues in the Work Program would form an appropriate basis to which other elements of interest to contracting parties could be added; for example, his delegation had an open mind with regard to proposals to include services and counterfeit goods. Careful preparation and a broad consensus on substance were

required for the success of new negotiations. Contracting parties should enter into their deliberations open-minded, without preconditions, and on the understanding that this did not represent any commitment on their part. Developing countries should take part in this process from the very beginning. They would not gain by playing for time, but should try to formulate their priorities and special interests as the industrialized countries intended to do, so that these could be considered from the outset. An important step forward in this direction had been made in the statements made at the present meeting. He added that Austria, as a country highly dependent on foreign trade, was deeply worried by the symptoms of erosion in the trading system. With this in mind, his Government supported the idea of new comprehensive negotiations in GATT because it believed they would contribute to maintaining, strengthening and possibly adapting or enlarging the multilateral system for open trade with GATT as its cornerstone. He drew attention to the May 1985 statement by EFTA Ministers on the prospects for a new round (L/5804). His delegation was convinced that the discussion at the present meeting would contribute to a better understanding of positions on this issue. The discussion would have to be pursued in informal consultations, at Council meetings and perhaps at a higher level. Contracting parties should therefore be able to agree on a meeting of senior officials to be held before the end of the summer. Such a meeting would prepare the ground for the contracting parties to take the appropriate decisions and to set the preparatory process in motion. Recent statistics showed that the volume of world trade had reached an all-time high in 1984; this encouraging development should provide an appropriate environment for new initiatives in the direction of further liberalization of world trade and to reverse the dangerous trends towards protectionism and bilateralism.

The representative of Spain said that increased protectionist measures and the delicate state of the world economy had impeded progress in implementing the 1982 Work Program. He said that Spain believed only a new round would provide the necessary impetus to GATT's work, and reiterated his authorities' intention to participate in it. Among items to be negotiated should be non-tariff measures affecting agricultural and industrial goods, safeguards, dispute settlement, and other problems which had recently arisen. The new round should be accompanied by similar efforts in the monetary and financial fields. All contracting parties, whether developed or developing, should participate in the negotiations so that the entire trading community could obtain a collective advantage. The contracting parties should start immediately to define the modalities and scope of the new round.

The representative of Finland, on behalf of the Nordic countries, noted that all the statements so far made on this issue had expressed a common concern about the present situation in international trade policy. The Nordic countries agreed with developing nations that

efforts to expedite implementation of the 1982 Work Program had resulted neither in achieving a break-through nor in reversing present trends. Nevertheless, they felt that some progress in implementing the Work Program had been achieved. There seemed to be a widely shared view among both developed and developing countries that the trading system was being eroded by trade restricting measures and by a lapse into bilateralism. This situation was intolerable to all trading nations. There was also universal recognition of the need for contracting parties to reiterate their commitments to preserve and strengthen the multilateral trading system, which was the best guarantee against arbitrary and unilateral actions, especially for the developing and smaller developed trading nations. The Nordic countries had decided, as their contribution to these common efforts, to accelerate their Tokyo Round tariff cuts and had committed themselves to a standstill on protective measures. Furthermore, they had come to the conclusion that new comprehensive trade negotiations in GATT would be the best way to maintain, strengthen and improve the trading system. A new round would also be the best way to achieve the goals set by the CONTRACTING PARTIES in the Work Program. A consensus on issues to be negotiated, on negotiation procedures, on a standstill for trade measures in contradiction with GATT rules and on new protectionist measures outside GATT, would lead to a broad agreement among the contracting parties to launch a new round. When identifying issues to be negotiated, the Work Program would form an appropriate basis. It was important that elements of interest to all contracting parties, both developed and developing, should be included. Some of the concerns and priorities of the developing countries had been clearly identified; these views would have to be taken account of, as well as those that had been and would be presented by others in the process of building up a consensus on the new round. There was an urgent need to break the protectionist trend and restore respect for GATT rules. Therefore a process should rapidly begin with the aim of seeking a consensus among the contracting parties on contents and concepts for the new round. Such a process would begin on the clear understanding that no country would commit itself as to the outcome, and participation would in no way prejudge any contracting party's final attitude to the question of a new round. Only through such a process would it be possible for individual contracting parties to assess whether their interests had been duly considered. To be successful the new negotiations would have to be carefully prepared. The Nordic countries therefore supported the idea of a meeting of senior officials as soon as practical in the summer of 1985. It was important that informal consultations be actively pursued prior to the discussion of this topic at the next Council meeting.

The representative of Switzerland said that notwithstanding an exceptional growth rate in world trade over the past year, it was worrying to see that international trade relations were currently characterized by new trade restrictions, by continuing strong pressures for further protective action, and by recourse to trade measures outside

GATT's multilateral framework. Various imbalances remained in national economies, linked directly or indirectly to trade developments; his authorities were also concerned that progress in implementing the 1982 Work Program had not been up to expectations. In light of this situation, one solution might be to reaffirm and speed up implementation of the Work Program. However, Switzerland saw symptoms of weakness in the system as such, and considered it essential to try to tackle the underlying causes of those symptoms. Consequently, his Government supported new broad-ranging trade negotiations within GATT. The new round would help to maintain, strengthen and broaden the GATT multilateral trading system, and would be the most appropriate way of securing the means to combat present trends and to improve access to markets. All contracting parties should participate, and topics of interest to both developed and developing countries should be included in order to reach balanced results at the end of the negotiations. The new round should be a collective exercise designed to reconcile immediate legitimate individual interests and essential general interests in the longer term. The objectives and modalities of the new round would have to be carefully prepared so that it could become a collective effort to remedy erosion of the system.

A structured and institutionalized discussion in an ad hoc framework within GATT, at a level that could strengthen the commitment of capitals to GATT and express that commitment clearly to the rest of the world, was urgently needed. The preliminary discussion should focus on three aspects, it being understood that the substantive negotiations would take place later and would depend on later decisions on which it was not appropriate to pronounce at this stage. First, the subjects for negotiation would have to be announced. Topics of interest to all contracting parties should be included, regardless of whether they were traditional or new items. Clearly, topics already within the Work Program would deserve priority attention. Second, the topics would have to be classified in separate categories in relation to their particular character, the type of negotiation they required, and the nature of the end results aimed at: improvement of market access, strengthening of disciplines to international competition, and increased consistency between the various aspects of economic policy. In one category would fall questions such as tropical products, tariffs, quantitative restrictions and natural resource products which could be dealt with through exchange of concessions, i.e. the classical negotiation concept. In another category would be questions linked to the adjustment or broadening of trade rules, and this would include counterfeit goods, subsidies, export credits, trade in agricultural products, services, safeguards, dispute settlement procedures, all of which required additional regulatory activity. In yet another category would be questions concerning the general economic and financial environment, which had an impact on trade flows, and which therefore suggested a complementary interdisciplinary approach. Third, it would be necessary to define the modalities for negotiation on the topics in each of the categories. Close relationships between the categories would have to be

ensured. Simultaneously with this approach, Switzerland considered it vital to pursue, as an integral element of the preparation process and of the negotiations, individual and common efforts by contracting parties towards standstill and rollback of protective trade measures. In conclusion, Switzerland considered the time had come to convene a meeting of high-level officials within the next few weeks. A common assessment of the situation in such a framework would permit each contracting party to recognize that new negotiations were not only in its own interest but would benefit the open trading system as a whole.

The representative of Australia said that both real and imagined problems, some of them resulting from apparent misperceptions, seemed to have been brought out in the discussions so far on prospects for a new round. His delegation welcomed as constructive the statement in L/5818 and those by the other representatives who had spoken. Australia understood developing country concerns about event planning, but considered that these concerns may also have resulted from misperceptions which could probably be clarified by continuation of the dialogue now under way. It was important for all contracting parties not to fall into the trap of adopting positions from which there might be no retreat except to face setbacks. It was also vital that all matters which should be discussed were in fact discussed. If this were done, the issue of timing could be left to settle itself; however, his delegation did see the need for a high-level official meeting in the very near future. He therefore suggested that the Director-General carry a mandate from the Council to begin consultations among interested contracting parties on all matters concerning the new round, including substance and procedure, and report to the Council at its next meeting.

The representative of Pakistan expressed his delegation's full support for the statement in L/5818, and his appreciation to the representative of the European Communities for having reacted postively to that statement. A real dialogue on the prospects for a new round had now begun and should be continued. Pakistan had noted that in previous exercises towards trade liberalization there had been efforts to dilute the obligations of some contracting parties and to intensify the obligations of others. His delegation was also concerned at hints that the process of trade liberalization, as far as developing country exports were concerned, had perhaps reached the point of saturation. He added that it was evident that there was a substantial similarity of approach in L/5818 and in the statements by Korea, Singapore on behalf of the ASEAN countries, and by the United Kingdom on behalf of Hong Kong. Pakistan believed that the macro-economic policies to be pursued by the developed countries in the coming years would play a crucial rôle in world trade relations; his authorities had been heartened by the discussion on these policies which had taken place at the Bonn Summit in May 1985. He said that his country, now under a new government, was committed to a liberal import policy. However, his Government was concerned that despite an increase in the volume of world trade over the past year, Pakistan's exports had decreased by 10 per cent. He said it

was a matter of common knowledge that concessions in multilateral trade negotiations could be eroded by developments in the monetary field such as the volatility of exchange rates. He noted that Article XII recognized the link between the trade and monetary fields, and Part IV emphasized the link between trade and development aid. He went on to say that public opinion in his country was now in favour of improving world trade relations and of further trade liberalization, but it should always be remembered that negotiations were between governments on behalf of their industries which had specific interests to defend. Textile exporting countries were painfully aware that in the Kennedy Round, for example, trade liberalization had been accompanied by parallel negative developments in the textile field.

The representative of Poland said it was clear that the new round would be very different from any of its predecessors, and that it would have to respond to the pressing needs of the entire trading system and not only of a minority of the contracting parties. Among the new realities affecting world trade was the problem of international debt, which now stood at about 40 per cent of the total value of world exports, i.e., twice as much as at the beginning of the Tokyo Round in 1973. Over that period, the ratio of total debt service to the value of world exports of goods and services had more than doubled. Facts such as these would have to be addressed in terms of the results which would emerge from the new round, if GATT was to stand on the ground of economic reality. Another factor was the change in the commodity structure of world output and trade; there was little reason to doubt the accuracy of some projections according to which a quarter of all goods likely to be traded internationally at the end of the present decade were products which were as yet either totally unknown technologically or not produced on a commercial scale. Recognition of such facts would be essential for truly effective structural adjustment. He said that a third major new factor was the great change in public awareness of international trade issues. Items to be negotiated in the new round would no longer be reserved for groups of experts; and the negotiators would be subject to strong and constant pressure from their domestic constituencies. It was in this context of changed circumstances, and in light of the need for confidence-building measures, that recognition would have to be given to the specific national interests of all contracting parties. As part of the preparations for the new round, Poland emphasized the need to restore normal GATT trading status for its exports in the market of the United States.

The representative of Chile said that his country supported the launching of a new round to liberalize world trade. The increase of protectionism, both in its traditional and in its newer facets, was intolerable for countries such as Chile, whose only possibility for development could be found in the promotion of exports through free trade. It was vital that the new round be adequately prepared in GATT,

which was the only competent forum for this task. The negotiations should cover subjects of interests to all contracting parties. The highest priorities for Chile in the new round would be agriculture, quantitative restrictions, natural resource products, and a system of safeguards based on the most-favoured-nation principle.

The representative of Colombia said that the statement in L/5818 had the merit of having finally provoked for the first time in GATT a true and constructive dialogue on the prospects for a new round. Colombia hoped that the dialogue would continue and that further proposals as to the procedure and scope of the new round would be made, with the particular aim of enabling developing countries to expand their import capacity through increased earnings resulting from greater access to markets.

The representative of New Zealand said his delegation agreed with the statement in L/5818 so far as it analysed the problems facing the world trading system, but had a different perception as to how to deal with those problems. His authorities saw an urgent need for a concerted initiative towards a new round if further erosion of the system was to be avoided. The contracting parties were now stalled on many aspects of the 1982 Work Program; a practical way forward from this impasse had to be found, and quickly. Consequently, New Zealand favoured early substantive preparations for a new round. The lesson of experience from past general commitments to liberalize trade had been that any undertaking that fell short of a commitment to actually negotiate had a negligible effect. All governments operated in a world where often conflicting constituency demands needed to be addressed; to be able to carry through undertakings, it was necessary to tackle that balance of constituency forces. Each government therefore needed a multilateral framework that would enable it to develop a national consensus to back its trade liberalization objectives. In operational terms, a multilateral negotiation framework enabled each government to explore the maximum range of trade liberalization opportunities, and made it possible to identify the trade gains on the basis of which genuine liberalization could be achieved. A multilateral framework entailed political commitment at the highest level, so that the chance of progress being made was enhanced by governments' credibility being at stake. Furthermore, each government needed to be able to point to the fact that all others were sharing both the burdens and the gains. This was crucial if governments were to be able to mobilize their domestic constituencies in favour of trade liberalization. New Zealand saw the new round as an operational mechanism that would offer the best pragmatic means of enabling each contracting party to live up to the undertakings in paragraph 7(i) of the Ministerial Declaration. The Work Program had clearly set the priority trade issues. At the core were issues overdue for resolution, such as safeguards, subsidies and textiles. Outside that inner circle were other important issues such as trade in tropical products, residual quantitative restrictions, tariff

escalation, government procurement, trade in natural resource products, and other unfinished business from the Tokyo Round. Then there were the so-called new issues, such as trade in services, high-technology and counterfeit goods. Finally, there were the institutional framework issues of how to reinforce the GATT legal framework, for example dispute settlement, adherence to MTN Codes and notification obligations. New Zealand considered that the negotiation agenda needed to be broad and balanced enough to give every contracting party an area for potential gain. There was no value in restricting the agenda to a narrow range of items. This did not mean, however, that no priority should be afforded to particular items; perhaps certain of them could even be negotiated first as a "bundle". It was incumbent upon those who appreciated the urgent need for strengthening of the international trading system to ensure that the key priorities were acknowledged in the preparations for the new round. A high-level meeting within GATT, preferably in July 1985, would be a prime opportunity to reach agreement on launching those preparations. Discussion at such a meeting would be without prejudice to what might follow, and participation would not imply a commitment to negotiate, which would come later.

The representative of Uruguay noted that there was universal agreement on the need to strengthen the international trading system and that this should be done within GATT. However, past rounds of multilateral trade negotiations had not been entirely fortunate experiences for developing countries, which could explain why they wanted to see clearly the aims and coverage of any new round before committing themselves. The questions which the developing countries were asking could be found in L/5818. His delegation appreciated the prompt reaction to that statement at the present meeting by several delegations. He wanted to draw attention to a few other questions. For instance, he said that during the May 1985 meeting of the Consultative Group of Eighteen, some members had referred to the possibility of a diplomatic conference on reform of the General Agreement; his delegation would like to know more details about this proposal. Uruguay also wanted to have a clearer idea of the kind of standstill and rollback of protective measures being envisaged, and the opinions of contracting parties on the question of reciprocity in the light of the provisions of Part IV. He commented that it was not appropriate to demand equivalent concessions from a contracting party which did not have equivalent power. He also referred to the problems for developing countries caused by their external debt burdens and by the problem of dumping, which particularly affected his country. The sooner that developing countries could have a clearer vision of the main lines of a possible new round, the sooner they would be able to adopt a further position. He supported the proposal by Australia that the Director-General should hold informal consultations on this topic before it was discussed at the next Council meeting. This would open the way for further dialogue leading to a new process of trade liberalization which was the aim of all contracting parties.

The representative of Nicaragua expressed her delegation's full support for the statement in L/5818. She said that there was a need to restore confidence in the international trading system, but that this could not be accomplished through negotiation. For example, she wondered what realistic hope there could be for effective results if her country and the United States were to try to negotiate at the present time. For such reasons, developing countries should continue to insist on observance of commitments already made. It seemed untimely to speak of a new round, and yet more inappropriate to speak of new areas for negotiation. Personally she did not believe, as the representative of the European Communities had suggested, that a new round had already started. The main objective of new negotiations should be the opening of markets for developing country exports of agricultural and manufactured products; well in advance of such negotiations, the developed countries should undertake to find satisfactory solutions on tropical products, subsidies, safeguards and dispute settlement procedures so that the climate could be made favourable for a new round. Nicaragua also stressed the close relationship between development, trade and finance. The reduction of financial flows, aggravated in the case of her country by political pressures that one contracting party was bringing to bear with impunity on the multilateral financial institutions, and the burden of indebtedness increased by high interest rates, was endangering Nicaragua's development efforts and affecting the well-being of its people.

The representative of Cameroon expressed support for the statement in L/5818. Without under-estimating progress already achieved in implementing the 1982 Work Program, one should not be overly-optimistic. For this reason, contracting parties should multiply their efforts to fulfil all the tasks set by Ministers in that Program.

The representative of Israel said that his country's free-trade arrangements with the European Economic Community and with the United Sates in no way prevented Israel from continuing a policy of trade liberalization. Consequently, his delegation considered that further efforts at trade liberalization should be undertaken within GATT. It was true that progress in implementing the 1982 Work Program had so far been limited and had now come to a standstill; but it was not only developed countries that had undertaken commitments in the Ministerial Declaration. Some developing countries had themselves disregarded undertakings concerning removal of barriers on trade with Israel. His delegation was encouraged that determination to launch a new round was shared by a significant number of developing countries. Israel believed that a meeting of senior officials should be held before the end of the summer with the aim of deciding the scope and procedures for the new round. He noted that it had been said that some activities in the Work Program were alien to GATT's juridical framework. However, his delegation doubted whether "alien" was the appropriate word: when contracting parties discussed the issue of trade in high-technology goods, for example, they were doing no more than dealing with a subject

on a sectoral basis; and when they discussed trade in services, they were dealing with a subject closer to GATT's field of competence than problems such as reform of the monetary system. He added that not all contracting parties, including some of the developing countries among them, had net payments deficits, and that these countries were in a position to assist their less fortunate trading partners.

The representative of Canada said that there had been a continuing deterioration in the world trading environment, not only through the use of restrictive measures, but also through the increase of protectionist pressures which would inevitably lead to new and far-ranging restrictions unless pre-emptive action was taken. Canada considered that such necessary action should take the form of a new round of trade negotiations. As a country which earned one-third of its GNP from international trade, Canada saw the multilateral trading system as the central means for promoting its interests. As for his Government's priorities in a new round, a key objective in agriculture should be better control of the trade-distorting effects of export and domestic subsidies, and to improve market access and the balance of rights and obligations among contracting parties. On natural resource products, Canada would seek action on a wide range of tariff and non-tariff barriers affecting unprocessed, semi-processed and fully processed products in resource areas of key interest. Furthermore, his delegation believed that the development of rules for trade in services, comparable to those governing trade in goods, would enhance predictability in the services area; individual contracting parties should begin to search for solutions in this important and emerging field of world trade without prejudging the form of those solutions. A comprehensive safeguards agreement, the opening of additional government procurement markets, a general reduction of tariffs and non-tariff barriers and improved dispute settlement procedures represented other important objectives for Canada in a new round.

His delegation welcomed the statement in L/5818 as a useful contribution to a substantive exchange of views on the objectives, coverage and modalities for the new round. Canada also welcomed the statements by other developing countries on this topic. There were points in L/5818 on which his delegation would differ, but on a number of issues there were grounds for common purpose. Canada agreed that the negotiations should address manufactured and semi-processed goods, natural resource products, the totality of tariff and non-tariff barriers, development of a safeguards code, improvements in dispute settlement mechanisms, better disciplines on subsidies, and agriculture. The general objective of the new round had to be greater trade liberalization on a multilateral basis; this would enlarge market access for all exporting countries, developing and developed alike. Canada also agreed that the objectives, agenda and modalities for a new round were still unclear; this was why a more formal process was now required for detailed, structured exchanges to bring clarity to those points.

With this in view, his delegation considered that the urgency attached to the need for an official meeting in GATT before the end of the summer had increased. Failure to proceed on this point would be evidence of GATT's inability to deal with pressing international trade problems; Canada was concerned this would lead to a turning away from the multilateral system towards finding solutions through bilateral or unilateral approaches governed by ad hoc responses to protectionist pressures. An early official meeting designed to launch a process for reaching consensus on the subject matter and the modalities of a new round would be the most effective, tangible evidence of the determination of the contracting parties to deal with trade problems in an open multilateral system. A key objective should be to complete those tasks already begun in the 1982 Work Program, but within the context of discussions leading to a new round, not as preconditions to it. Canada had long supported the need to develop as broad a consensus as possible in favour of a new round through the establishment of a wide-ranging and representative agenda; his delegation was concerned that the focus of discussions on this matter so far had been unduly procedural. He recalled that one of GATT's main functions was to provide a forum for negotiations to liberalize trade. The launching of negotiations was not a matter to be vetoed by any individual contracting party. It was clear from the basic objectives of the General Agreement, and of Article XXVIII bis in particular, that although the success of multilateral negotiations would depend on the participation of all contracting parties, it was for each contracting party to decide, in the light of its own self-interest, on its participation in new trade negotiations. The purpose of a senior officials meeting to be held in GATT before the end of the summer would be to set up a mechanism to establish the objectives and coverage of the new round by a group of senior trade policy officials, preferably from capitals, from any country wanting to participate. This would allow discussion of the substantive questions to be addressed in the new round, would work out the appropriate rules, procedures and modalities for such negotiations and would prepare a report for consideration by a Ministerial conference of interested contracting parties at the earliest possible date. Canada urged all contracting parties to join in launching this process.

The representative of Brazil said that his delegation's views on this topic had been fully reflected in L/5818. Brazil was encouraged that the position taken in that statement on how to improve world trade relations had finally been acknowledged by at least some developed countries as constructive. He also noted that Japan had indicated its readiness to elaborate further its views on a new round; this was a good example which should be followed by all contracting parties that had proposals of their own to make. As for procedure, his delegation felt that it was not realistic to expect an immediate decision to be taken to hold a high level meeting of officials. There should first be a fuller debate in the Council on the prospective substance of a new round. The Council was the main body for dealing with GATT's current business, and

he proposed that this item be kept on its agenda. He added that it was encouraging that despite the bilateral arrangements into which Israel had recently entered, that country intended to remain committed to the multilateral approach to trade.

The representative of Hungary said that the general approach in L/5818 was constructive, even though his delegation would disagree with some of the points that were made. His country put great emphasis on the need for a stable, predictable and rule-orientated trading environment; this explained Hungary's attachment to GATT rules and provisions and also his authorities' deep concern over the present state of world trade relations which were at an advanced stage of disintegration. Bearing this in mind, his Government strongly supported any effort aimed at genuinely liberalizing trade and at strengthening GATT disciplines. However, launching a new round should not be a substitute for actions that should have been taken unilaterally to conform with basic GATT obligations. The new round should only be started when a balanced agenda had been agreed, in which all contracting parties should be able to see their interests covered and the possible benefits to be gained. The 1982 Work Program still remained the best common denominator among the contracting parties. Hungary would not oppose including some new items in the package for negotiation, but this should not be at the expense of already recognized priorities, including a substantial liberalization of agricultural trade, on which no progress had been made for many years. Hungary hoped that the contracting parties would make a magnanimous offer to outsiders to join in the new round so that they could share the burdens and enjoy the eventual benefits.

The representative of Romania expressed his delegation's support for the statement in L/5818. He said that given the common interest of all contracting parties, whether developed or developing, in further liberalizing world trade and in strengthening the GATT system, he hoped that the approaches in L/5818 and in the statements by developed contracting parties would eventually be shown to be compatible. GATT's future activities should live up to the expectations and be responsive to the needs of all participants; only on this basis would progress be made.

The representative of Jamaica said that the proposals put forward so far by contracting parties on how to improve the multilateral trading system, although varying in scope, were all designed to roll back protectionism and to stimulate trade expansion through liberalization. His delegation welcomed the constructive, even critical comments on L/5818, whose basic thrust was consistent with the statements by other less-developed contracting parties, namely, that in any new round the interests of these countries should be given adequate consideration. In GATT's future work, including any preparatory process leading up to and including a new round, his authorities would be guided by simple but fundamental principles such as balance and fairness. Market size was an

important factor that could not be ignored; nevertheless, each contracting party had both the right and the obligation to ensure that the system functioned according to the principles and rules of a liberal multilateral trading system. There was therefore justifiable cause for concern if some contracting parties wanted to expand their rights simply because of their market size. As a small trading partner, Jamaica was willing to shoulder its share of GATT obligations to ensure a commensurate respect for its rights. His delegation was becoming increasingly concerned at the restricted and restrictive tendencies now apparent in GATT's work. He added that an agenda for the new round, limited to trade in goods only, was the clear preference of many less-developed contracting parties, as stated in L/5818. Equal attention would have to be given to areas falling outside GATT's competence, such as the requirements of national economies if they were to produce goods and if they were to trade those goods. Thus the macro-economic policy stances of the major industrialized countries which had an impact on world production and trade would need to be carefully monitored. Progress on specific monetary and financial measures would need to be made which would support trade liberalization. There would need to be a full consensus among the contracting parties on the conditions to be met to ensure success in a new round; there would also have to be some prior understanding of whether the process would be limited to the classical type of trade negotiations on goods only or whether it would encompass a re-examination of the major Articles of the General Agreement. The latter approach implied some fairly far-reaching reform of the General Agreement and there should be greater clarity on what this entailed, so as to arrive at some common understandings. The modalities for a new round could only be determined when there was a clear idea of the coverage of the negotiating objectives. It would be easy to arrive at a consensus on the need for continued tariff cuts and the search for a formula would be one of the modalities. At the same time, the contracting parties would need to consider what modalities would be necessary to remove non-tariff barriers, to integrate the MTN Agreements into the General Agreement, to bring agriculture within GATT disciplines, and, if agreed, to deal with new subjects. On this last point, there would need to be prior agreement in principle on how new subjects would be incorporated into the General Agreement; the General Agreement would in this case need to be renegotiated since the inclusion of new areas seemed likely to lead to the enlargement of its scope and consequently touched upon the balance of rights and obligations of the contracting parties. Interested contracting parties would have to be associated at all stages whether the negotiations took the classical or the reform route; this matter would require some further consideration since there were a number of non-contracting parties, particularly developing countries, which would want to be associated. Jamaica urged that dialogue on all these points continue in the Council.

The representative of the United States said that his delegation found much that was positive in the discussion on the objectives and modalities for a new round. There was, for instance, a widespread acceptance that negotiations were needed; there had been a number of suggestions for intensified and high-level consultations on the agenda and modalities for a new round, from such diverse participants as the European Communities, Australia, Uruguay and the ASEAN countries. No delegation appeared opposed to a new round, although understandably each wanted to ensure that its country's interests were included.

Commenting in detail on L/5818, he said it contained many ideas that his delegation could share, while on others the United States would differ. He had been struck by the concept of asymmetry expressed in the statement; most delegations shared some concern about asymmetry in the GATT system, although from different perspectives. This idea had been expressed in various ways: unequal benefits from the system, or an imbalance of rights and obligations. There were those countries with efficient agricultural production, which saw gross asymmetry in its treatment in GATT; there were those with a high level of tariff bindings which saw others with a low level and believed that such asymmetry needed addressing; there were many contracting parties which believed that others had fewer obligations and more rights than they; there were those which saw others as circumventing their obligations; there were those that appeared to have special dispensations, such as waivers or special treatment, or whose use of loopholes such as Article XXIV had led others to see this as upsetting the balance of rights and obligations; and there were those which felt unjustly discriminated against. The United States welcomed discussions aimed at establishing some sort of symmetry in the system and thought that this could be done in a new round. His delegation welcomed the fact that paragraph 7 of L/5818 suggested an agenda for the negotiations, indicating that specific proposals would be made in a number of areas. He was sure that other contracting parties, including the United States, would put forward proposals on modalities and coverage. He was somewhat puzzled over the reference in paragraph 6 to the negotiations going ".... far beyond the charter of GATT...." He emphasized that the General Agreement had continued to evolve to meet new challenges. He recalled, for example, that Part IV and the "framework" Agreements (BISD 26S/201 et seq.) were not part of the original General Agreement; they had been added to meet the concerns of developing countries. Similarly, the MTN Agreements had been added to counter the growing sophistication of governments in diverting trade. A number of delegations had spoken of the critical situation in current trade policy and of the need to improve GATT to meet the demands of the world trading environment. It would be foolhardy to attempt to hold back the evolutionary process in GATT. He agreed that there was much unfinished business that needed intense effort, but he shared the conviction that systems had to evolve to meet new challenges if they were to survive. He noted that paragraph 8 called for individual and autonomous trade-liberalizing actions. The

United States had already indicated how difficult such actions were, especially for countries running a high trade deficit. Developing countries often spoke of the impossibility of liberalizing trade when faced with balance-of-payments and debt problems. The United States, having similar difficulties, understood this feeling; it was difficult for his Administration to tell Congress that it was going to unilaterally liberalize imports when a trade deficit was already decreasing economic growth and adding to unemployment. Perhaps those contracting parties with trade surpluses might find it easier to make such gestures; he noted that Japan, among others, had taken some action in this regard. However, the surest way of obtaining better access to markets remained the mutual reduction of barriers. He subscribed to the description by the representative of New Zealand of how the process of multilateral negotiations permitted the the development of domestic support for liberalization. Referring to paragraph 8(A)(i), he said that the United States had already undertaken such a commitment in the 1982 Ministerial Declaration, an undertaking which his country had taken seriously. He said that 8(A)(ii) contained an idea that had been an integral part of negotiations on a safeguards code, and many would see it as linked to a resolution of that problem. Paragraph 8(B) offered an agenda and modalities for a number of items of interest to the authors of the statement. On textiles, he said that on the expiry in July 1986 of the Multifibre Arrangement (BISD 21S/3 and 28S/3), a new understanding in this area would have to be negotiated. He said sub-paragraph 8(B)(ii) included ideas on timing and modalities for negotiations in a number of areas, arguing that some were more ripe for negotiation than others. It was significant that this sub-paragraph recognized that elements of the 1982 Work Program had reached the stage where negotiations were required. On subsidies, he agreed with much of the sentiment in sub-paragraph (iii), especially the first sentence. In fact his delegation would go further and say that subsidy discipline should not only be observed but improved. As for sub-paragraph (iv), it was clearly related to the better discipline sought in (iii). On safeguards, his delegation agreed that this item needed to be negotiated; the United States had been an active participant in seeking an agreement. On dispute settlement, the United States believed this area needed improvement and greater equity; the United States saw the present system as inequitable because it had recently proven ineffective, some might say inoperative, in resolving disputes in the agricultural area. There was a prominent theme throughout L/5818 of special and differential treatment; this was a modality for negotiations which needed examination. His delegation recognized that this was a central point to a number of developing contracting parties and that some understanding on how the "framework" Agreements and Part IV were applicable in such negotiations would need to be discussed.

Although his delegation welcomed the fact that the ideas put forward at the present meeting by many delegations represented the beginning of a process, it was clear that for this process to move further it was necessary to bring in decision-makers from capitals. He

reiterated his delegation's proposal for a meeting of high-level officials in July to continue this process. He would expect such a meeting to be the first of several aimed at reaching some understanding on the shape and process of a new round. This would not commit the United States or any other contracting party to a new round. At the end of the exploratory process, each individual contracting party would decide whether it wanted to participate in a new round. It was important for the world trading system that GATT give a positive sign that it was moving forward; this was essential for building domestic consensus in many countries. For that reason, he believed that the Council should agree at the present meeting to call a high-level meeting of trade officials in July. He also requested the Director-General to hold consultations aimed at refining the issues and questions that such a high-level meeting or meetings might address.

The representative of India said he was encouraged that the statement in L/5818 had evoked constructive and positive responses, even though some of these had suffered from certain misinterpretations which he hoped could be cleared up in further discussion. His delegation looked forward to pursuing this dialogue, which would permit a clearer idea of the implications of all the statements. Even though India took seriously the concern of some delegations concerning event-planning and procedure, this aspect should be subordinated to the more vital matters of substance. He would have to ask for a reaction from his authorities to the proposal that there should be a high-level meeting of officials. He shared the opinion of those who considered that the prospects for a new round should continue to be dealt with in the transparent forum of the Council.

The representative of Egypt said that his delegation's views were fully reflected in L/5818, which had paved the way for a fruitful exchange of views on this topic. All the statements at the present meeting would need to be studied and discussed at a later Council meeting. This was the right way to build mutual understanding between the contracting parties on the various issues of substance; positions concerning procedure would not be neglected and would be considered in due course.

The representative of Zaïre expressed his delegation's full support for L/5818. He added that the main problem for developing countries was one of confidence, since they no longer had any trust in the commitments undertaken by their developed country trading partners. It would be wrong for the industrialized countries to have their developing trading partners believe that a new round could be initiated without giving guarantees that past commitments would be implemented. His delegation wondered why the major trading partners seemed to need a major international conference in order to follow up on commitments which had already been undertaken by Ministers in 1982. Developing contracting parties had the right to ask what real advantages they might derive from

a new round. His delegation considered that July 1985 might be too soon for a meeting of high-level officials to set in motion the process for a new round.

The representative of the European Communities said that the Community fully understood and had no intention of challenging the strong common interests shared by developing countries on this topic. An effective dialogue on the question of a new round had now begun, and should be pursued in depth. Differences of opinion and emphasis on the aspect of event-planning, such as the proposal to hold a high-level meeting of officials before the end of the summer, should not be exaggerated. Nonetheless, the Community's proposal for such a meeting was still on the table. Negotiation was a delicate fruit which should only be picked when ripe. The Community's main interest was that there should be as wide a consensus as possible; all else could be negotiated. He supported Australia's proposal that the Director-General carry a mandate from the Council to begin consultations among interested contracting parties on all matters concerning the new round, including substance and procedure, and report to the Council at its next meeting.

The representative of Trinidad and Tobago supported the statement in L/5818, saying that her delegation shared the concerns expressed in that statement as well as in the two previous position papers put forward by developing countries in 1984 (L/5647 and L/5744).

The representative of Argentina welcomed the fact that L/5818 had received constructive and positive responses from many delegations at the present meeting. Argentina hoped that this frank dialogue would continue in future Council meetings.

The representative of Canada said that the formal or informal dialogue on this topic should be continued without having to wait for the next Council meeting in mid-July. Canada also saw no reason why the Council could not decide at the present meeting to call for a meeting of high-level officials in July.

The representative of Malta, speaking as an observer in the Council, said that while L/5818 would have to be studied in detail, his delegation agreed with the general thrust of the statement and on the need for tangible progress in implementing previous commitments undertaken by the developed contracting parties.

The representative of New Zealand supported Australia's proposal that the Director-General be asked to begin consultations and report to the Council at its next meeting.

The Chairman said that in his view the essential purpose of the debate had been to offer Council members an opportunity to express their positions and points of view on the urgent need for action to reinforce cooperation in GATT. An important dialogue had begun, and it would not

help to try to crystallise the views expressed. In fact, all participants had indicated they were ready and willing to review their positions in the light of positions stated by others. This was a very welcome approach and was how the building of a consensus normally started. He considered that what had happened at the present meeting was the start of a serious and profound examination of the question how the implementation of the 1982 Work Program could be ensured, and in particular how the trading system could be effectively strengthened, taking into account the wish expressed by a growing number of contracting parties to ensure the implementation of the Work Program and to seek solutions for outstanding problems through preparation for launching a new round of trade negotiations. The Council had heard the specific proposals made in this regard, notably the call by some delegations for a high-level meeting in July. He noted that the United States, supported by Canada, had asked for a decision to be taken on this proposal at the present meeting, but that other delegations had indicated their need to have more time for their authorities to consider the proposal. He was glad to see that the fundamental issues were at last being discussed formally in GATT, where they had their natural home. He had been impressed by the readiness of delegations to discuss all issues and to take into account in the continuing dialogue the different preoccupations and concerns expressed. He understood there was a widespread desire to push this debate further, if possible to the point at which some practical conclusions could be drawn at the next Council meeting; this item would therefore be placed on the agenda of the Council meeting in July. In the meantime, as a number of delegations had proposed, consultations would be held informally in an attempt to narrow the differences of view which still existed and to start the process of synthesisation. He was sure that Council members would also benefit from the discussions which would take place in the Consultative Group of Eighteen at its next meeting.

The representative of the United States congratulated the Chairman for his summary of the debate. His delegation understood that those delegations which needed more time to discuss with their authorities the proposal to hold a meeting of high-level officials in July, were not opposed to holding a high-level meeting as such, but needed time for consultations concerning a specific date. He proposed that the Council continue its consultations and agree at the present meeting to call for a high-level meeting of officials, leaving it to the Chairman of the Council and the Director-General to hold consultations on the date and the coverage of the meeting.

The representative of Brazil congratulated the Chairman on his summary. His delegation's understanding of the debate was that many delegations had expressed difficulty with agreeing to the concept of a high-level meeting; consequently they could not discuss a date. He rejected dealing with the subject of a high-level meeting on the basis of a process of consultations, and said that the process of dialogue had to be continued transparently in the Council.

The representative of the United States said his delegation understood that all Council members agreed to carry forward the dialogue on this topic and that many, if not most, delegations favoured intensified consultations. Furthermore, the proposal for the high-level meeting was by no means new, having been discussed in the Consultative Group of Eighteen. He said that several delegations had stressed the need to continue discussing this topic in the Council, and that many delegations had stressed the urgent need for action to stop erosion of the multilateral trading system. He proposed that the Council should be kept in continuous session on this item and that the Chairman could call a meeting at short notice to discuss this topic; the Council would also authorize the Chairman to hold informal consultations to facilitate that process.

The representative of Egypt said that his delegation favoured keeping the dialogue in the Council and considered it premature to take any position on the proposal for a high-level meeting.

The representatives of Japan and Australia supported the Chairman's summary and also found the US proposal reasonable.

The representative of Nicaragua said her delegation was not clear as to what the precise mandate for the proposed high-level meeting of officials would be, and asked for clarification on this point.

The representatives of India, Argentina and Yugoslavia supported the Chairman's summary and expressed the view that the normal mechanisms in GATT for formal and informal consultations should be used.

The representative of the European Communities supported the Chairman's summary and said the Community would support any proposal for continuing the dialogue on this topic, whether the consultations were formal or informal. He doubted whether the Consultative Group of Eighteen should be used for consultations on items on the Council's Agenda between Council meetings. He noted that the Council had frequently asked its Chairman to conduct consultations in the past on other topics and could not see why delegations should oppose a similar formula in this case.

The representative of Jamaica supported the Chairman's summary. He felt that the Consultative Group of Eighteen had its own unique rôle to play, and that in a case such as this the Council provided a transparent and representative body in which to continue the dialogue.

The representatives of Finland, Colombia, Austria, Hungary, and Singapore, on behalf of the ASEAN countries, supported the Chairman's summary.

The representative of Switzerland supported the Chairman's summary, and noted that informal consultations were a normal and usual procedure within GATT for dealing with both major and routine subjects.

The representative of Brazil agreed that informal consultations were a normal way of doing business in GATT and in the Council. However, the issue of a new round was a major question of concern to every contracting party, and could not be left to usual procedures, as every contracting party had to agree fully with the consensus. For these reasons, Brazil reiterated the importance of full discussion in the Council.

The representative of the United States regretted that there had been a long discussion on procedure at the risk of losing sight of the constructive debate that had taken place on substance.

The representative of India agreed that the Council should not concentrate on procedure and lose sight of substance. He suggested that the Chairman could hold informal consultations on the date for meeting in the Council or in some other manner to discuss this topic further.

The Chairman proposed that the Council take note of the statements made before and after his earlier observations on the discussion, and said that he would reflect on this matter and discuss with the Director-General and interested delegations how best the Council might pursue this item, which remained on the Agenda.

The Council so agreed.

4. Japan - Measures on imports of leather
- Follow-up on the Panel report (C/W/474, L/5623)

The Chairman recalled that at its meeting on 30 April and 1 May 1985, the Council had agreed to revert to this item at the present meeting. He drew attention to a communication on this matter from the United States (C/W/474).

The representative of the United States recalled that his delegation had, at several Council meetings since the Panel's report (L/5623) had been adopted in May 1984, inquired as to the Japanese Government's plans for implementing the Panel's recommendation. It was apparent from Japan's actions and statements in the Council that it had no concrete plans at this time for fully complying with the recommendation, particularly concerning finished leather. His delegation therefore believed it appropriate to refer this matter to the CONTRACTING PARTIES, as provided under paragraph 22 of the 1979 Understanding on Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210), in order to facilitate a satisfactory solution. Specifically, the United States requested that the Council authorize the Chairman to hold consultations to assist the CONTRACTING PARTIES in finding an appropriate solution to this matter. These consultations should determine how and when Japan intended to comply fully with the Panel's recommendation, what compensatory adjustments by Japan would be appropriate pending such action, or what compensatory

withdrawal of concessions by the United States would be justified in the absence of such action. In the light of earlier expressions of interest in this matter by a number of contracting parties, his delegation believed it would be appropriate for all interested contracting parties to be invited to participate in these consultations.

The representative of Japan said that this was a very difficult matter and that to rush through the procedures would not help to resolve it. He reiterated that his Government had been making sincere efforts to implement various measures in response to the Panel's recommendation. Three such measures, announced when the report was adopted, had been implemented despite great difficulties. He recalled that elimination of the customs duty on wet-blue grain leather, which had required revision of the Customs Law, had been put into effect on 1 April 1985. As the report had acknowledged, this matter was associated with the difficult socio-economic situation of the Japanese leather industry, and therefore its solution had to be sought in step-by-step approaches. He said that the value of Japanese leather imports had nearly doubled from US$16 million in 1983 to US$29 million in 1984. His Government was fully aware of the strong interest of other contracting parties in this case, and placed top priority on pursuing steps to improve its leather import measures. However, the task was delicate, and any precipitate action might jeopardize the planning and implementation of corrective measures. Japan would report to the Council as soon as any concrete results had been achieved. His Government would respond at the next Council meeting to the US request for consultations under paragraph 22 of the 1979 Understanding; he said this request was perturbing in the light of Japan's recent implementation of the announced measures, and the further follow-up steps being examined by his authorities. His delegation wondered whether the US action was designed to justify compensatory withdrawal of concessions, or whether it was a genuine attempt to increase its leather exports. Japan attached great importance to efficient dispute settlement procedures, and believed that the Council should be careful in applying paragraph 22 of the 1979 Understanding, due to the precedent which would be set.

The representatives of Canada, Australia, Argentina, Brazil, New Zealand, India and Yugoslavia reserved their delegations' right to participate in any paragraph 22 consultations which might be held on this matter.

The representative of Uruguay recalled that during the Council's most recent discussion of this matter, several representatives had expressed their dissatisfaction with Japan's slow response to the Panel's report. Japan's liberalization of wet-blue leather imports was of only relative value and did not satisfy Uruguay. His delegation supported the statement by the United States and wanted to participate in the proposed consultations. Liberalization of the leather market would be an indication of goodwill regarding Japan's stated interest in promoting future multilateral trade negotiations.

The representative of the European Communities said that the Community, like Uruguay, had a major interest in exporting to the Japanese market and consequently would want to participate in the consultations.

The representative of Australia recalled that his delegation had always said that measures taken by Japan to liberalize its leather imports ought to conform with GATT provisions. Australia recommended that Japan seriously consider the US request, as consultations were useful for advancing understanding and avoiding precipitate action on difficult matters.

The representative of Argentina reiterated his delegation's view that Japan should improve access to its market for leather imports. The measures taken to date were timid and did not go far in responding to the Panel's recommendation.

The representative of Japan asked that this matter be taken up again at the next Council meeting; his delegation reserved its position on the US request for paragraph 22 consultations.

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

5. European Economic Community - Tariff treatment on imports of citrus products from certain countries in the Mediterranean region - Panel report (C/W/462, C/W/465, C/W/468, L/5776)

The Chairman recalled that at its meetings on 12 March, 30 April and 1 May 1985, the Council had discussed the Panel's report (L/5776) on the complaint by the United States, and had agreed to revert to this item at a future meeting. The item had been placed on the agenda for the present meeting at the request of the United States.

The representative of the United States said it seemed evident from recent Council discussions that the Community was not ready to offer a practical solution to resolve this dispute, nor was it willing to allow the Council to adopt the Panel report. He asked whether the Community was now in a position to accept adoption of the report and its recommendations.

The representative of the European Communities said that the previous Council discussions had shown it was unlikely that the Community would be ready to offer what the United States termed an economic solution to this problem. The Community could not be expected to agree to adopt a report about which it had so many and such strong concerns and doubts, particularly when these were shared by so many other contracting parties. The Community was prepared to see if the EFTA countries' proposal (C/W/468) might provide a useful way out of the present situation. He said that certain rumours from the United States

on the citrus question gave cause for concern, and he hoped they were unfounded; if a contracting party took unilateral measures without any legal basis in the General Agreement and before termination of the dispute settlement procedures, it was likely to place itself in a difficult situation; such action would merely confirm fears expressed by the Community in the past about certain aspects of that contracting party's legislation.

The representative of the United States said his authorities were convinced that further discussion in the Council would not lead to resolving this issue. Nor would any attempt to address the broader questions raised in this dispute be fruitful without resolving the specific citrus problem. He reiterated that every agricultural dispute involving Community practices which the United States had recently brought to the GATT had been stalled, blocked or shelved by the Community. While the United States preferred to resolve this matter by means of the GATT dispute settlement mechanism, the Community's position offered the United States no alternative but to seek a solution outside this framework.

The representative of Austria, on behalf of the EFTA countries, referring to the questions raised and views stated by these countries in C/W/468, said that these issues should be thoroughly examined within GATT's institutional framework, as part of the follow-up to the Panel's report. The EFTA countries felt that questions of this type could best be examined in a special working party and that informal consultations, in which they would actively participate, should be initiated by the Chairman as soon as possible in order to establish a working party and to draw up its terms of reference.

The representative of Malta, speaking as an observer in the Council, said that in past Council meetings the representative of the European Communities and several other representatives had thoroughly and clearly explained why the Panel's report could not be adopted. His delegation generally shared these views and supported the Community's position.

The representative of the United States said that while his delegation appreciated the EFTA countries' efforts to move this issue forward, the United States could not, in the context of this dispute, accept their proposal for a working party. This procedure had been used in a number of other agricultural disputes to no effect.

The Council took note of the statements.

6. Uruguay - Import surcharges
- Request for extension of waiver (C/W/473, L/5809)

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 surchages in excess of bound duties. The waiver, which had been extended a number of times, was due to expire on 30 June 1985. Uruguay had submitted a request (L/5809) for a further extension of the waiver. He drew attention to the draft decision contained in C/W/473.

The representative of Uruguay said that his country was engaged in a process of simplifying, reducing and harmonizing its import tariff through a unique system based on customs valuation. However, the world economic situation and the problems in Uruguay's economy had made the new Government's task more difficult. A technical, inter-Ministerial body was working to solve the main problems of modification of the nomenclature, tariff transpositions, and statistical aspects of the process. As this work would require time to complete, his Government was requesting an extension of the authorization granted by the CONTRACTING PARTIES for the application of surcharges until 30 June 1986, at which time it was hoped the work would be finished. His authorities hoped to submit a proposed new Schedule XXXI to be included in GATT in due course.

The Council took note of the statement, approved the text of the draft decision extending the waiver until 30 June 1986 and recommended its adoption by the CONTRACTING PARTIES by postal ballot.

7. International Trade Centre
- Report of the Joint Advisory Group (ITC/AG(XVIII)/98 and Add.1)

Mr. Chagula (Tanzania), Chairman of the Joint Advisory Group, introduced the report (ITC/AG(XVIII)/98 and Add.1). He said that the Group's meeting in April 1985 had been held at a difficult juncture in world affairs, particularly for a number of least-developed countries whose productive capacities and participation in international trade had been severely affected. In this context, the Centre's activities had been considered of crucial importance. The Group had noted with regret the decline in trust fund contributions to the Centre's technical co-operation program and had recommended an increase in the Centre's regular budget allocation and in its extrabudgetary resources. On the positive side, the value of UNDP-financed projects had continued to increase in 1984. Regarding the substance of the Centre's programs, the Group had endorsed the result-oriented approach at the enterprise level, which would strengthen the Centre's trade promotion activities. The Group had viewed with great interest the Centre's efforts to co-operate with other international organizations, particularly the World Bank and the Commission of the European Communities, as well as the results obtained from this collaboration. A number of program areas had received special attention by the Group, such as institutional infrastructure for trade promotion at the national level, export-related specialized services, project proposals on commodities in accordance with UNCTAD resolution 158 (VI), and import operations and techniques. The Group had noted progress in strengthening the Centre's technical

co-operation with the least-developed countries; the share of overall program resources devoted to them had increased and it had been agreed that the special program for these countries should be maintained. It had also been agreed that trade promotion oriented to rural development should be absorbed under ongoing and future country projects. The Centre would report to the Group at its 19th session on the feasibility of any future action in the area of international physical distribution of goods. The Centre had been encouraged to strengthen technical and economic co-operation among developing countries, and had been asked to pursue and intensify activities aimed at expanding their trade with the countries of Eastern Europe. The Group had approved the independent evaluation of manpower development for trade promotion and had requested that the ITC Secretariat prepare for the Group's nineteenth session a report showing the follow-up action taken on the recommendations made. In conclusion, he said it was encouraging that the trust fund contributions made at the Group's session had included a number of increases by traditional trust fund donors, as well as contributions by new donor countries.

The representatives of Bangladesh, Egypt, Finland on behalf of the Nordic countries, Indonesia, Pakistan and Peru commended and expressed their support for the Centre's valuable work, and stressed the need to increase financial support for it.

The representative of Finland, on behalf of the Nordic countries, said that the Centre had an increasingly important rôle as a focal point for technical assistance and trade promotion in the United Nations system. As such, the Centre should be provided with the means necessary to fulfil its important tasks. Regarding its financial situation, he said it was positive that the Centre had been able to expand its activities in 1984, although the available resources had increased very little from the 1983 level. The ITC Secretariat's efforts to find new sources of funding were appreciated, and it was hoped that this action would continue. The Nordic countries had made a commitment to increase their contributions to the Centre, and renewed their appeal to other donors to participate or increase their participation in the financing of its activities.

The representative of Pakistan said that his country had close relations with the Centre, and continued to be concerned over the insufficient financial support for its activities. His delegation urged the developed countries to consider this matter seriously. Pakistan, for its own part, had routed to the Centre the financial assistance which his Government had received from institutions such as the World Bank. He suggested that other developing countries might consider this means of supporting of the Centre. Pakistan was also considering making a voluntary contribution.

The representative of Egypt said that his country had benefited from the Centre's services. He stressed the Centre's historical background and said that while its extra-budgetary resources had

increased, its regular budget had remained stagnant or worse. He drew attention to the first recommendation of the Group's report, and said that an increase in the contributions of GATT and UNCTAD would have a multiplying effect on the Centre's resources, and should be considered.

The representative of Bangladesh said that his country had benefited from the Centre's activities, and would like to see it play an increased rôle in boosting developing countries' exports in years to come. Bangladesh joined in the appeal for increased voluntary trust fund contributions.

The representative of India said that his country was associated with and had benefited from a number of the Centre's programs, and he noted the Executive-Director's initiative to make the programs more productive and useful.

The representative of Indonesia said that two recommendations in the report deserved particular note: recommendation 5, which declared that the Centre should exploit all possibilities of expanding and improving the production base of developing countries, and recommendation 11, which exhorted the Centre to continue to develop activities emphasizing trade as well as technical and economic co-operation among developing countries. She emphasized the usefulness of the technical assistance which Indonesia had been receiving, in which training had been an important part; the strengthening of local training institutions was one of the best ways to allow developing countries to cultivate self-sufficiency. Her delegation hoped that the contracting parties would consider their commitments to these programs which were so important to developing countries.

The representative of Peru said that it was only through the development of their trade and the promotion of their exports that the developing countries could progress. Peru had benefited from the Centre's assistance, and hoped that its excellent work would continue. Her delegation approved the Group's recommendations, particularly 5, 6 and 10 which represented a new proposal regarding the physical distribution of products.

The representative of Romania said that his country continued to benefit from the Centre's assistance, and was ready to develop further its co-operation with this organization.

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

8. European Economic Community - Production aids granted on canned peaches, canned pears, canned fruit cocktail and dried grapes - Panel report (C/W/476, L/5778)

The Chairman recalled that at its meeting on 29 May, the Council had agreed to revert to this item at its next meeting. He drew attention to a communication on this matter from the European Communities (C/W/476).

The representative of the European Communities said that his delegation was unfortunately still not in a position to adopt the Panel report and asked that the Council revert to this item at its next meeting.

The representative of the United States said that the points in C/W/476 had been repeatedly made to and considered by the Panel and did not affect the results in this case. As the Panel had not found nullification or impairment with respect to raisins, the Community's concern on this product was simply a red herring. The United States rejected the Community's interpretations of the Panel's findings and believed that other contracting parties would do so as well. The Community's paper raised issues of much broader application than this dispute and should not further delay adoption of the report and action to implement the Panel's recommendation. He reiterated the hope that the Community would be able to adopt the report unconditionally at the next Council meeting.

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

9. Problems of Trade in Certain Natural Resource Products (C/W/467 and Add.1)

The Chairman recalled that at its meeting on 29 May 1985, the Council had agreed to revert to this item at the present meeting. He drew attention to documents C/W/467 and Add.1, containing communications from Canada.

The representative of Canada said that C/W/467 and Add.1 clearly set out Canada's case with regard to the inclusion of paper and paper products in the Secretariat's background study on problems of trade in forestry products (Spec(84)13). His delegation believed that a considerable number of contracting parties shared Canada's views on this matter. He reiterated that Canada was merely seeking a document to be prepared by the Secretariat on its own responsibility -- thus entailing no commitment by any contracting party -- for consideration by the Working Party on Trade in Certain Natural Resource Products. The reluctance to include paper products in the Working Party's examination suggested there might well be trade problems of interest to the Working Party. He said that the study already dealt with pulp, whose main use was in paper production, and that consideration of paper trade was essential to understand trade problems relating to pulp. He reiterated that the Working Party had already dealt with processed products in other resource areas, and asked what made paper so special. What Canada was requesting in C/W/467 did not give rise to issues outside GATT's scope and fell within the Working Party's terms of reference. Regarding the Nordic countries' statement on this matter at the Council meeting on 29 May 1985, he noted they did not deny that paper was a forestry product but merely asserted the inappropriateness of the Working Party's

studying paper. Canada disagreed with their suggestion that since there had never been an explicit definition of coverage in the 1982 Ministerial decision (BISD 29S/20), there could have been no expectation that paper products would be included in the study. As stated in C/W/467/Add.1, the emergence and persistence of dissent well after adoption of the Work Program raised questions about GATT procedure and the credibility that other contracting parties attached to the Working Party's activities. He recalled that the Council Chairman had said in March 1981 that consensus in GATT was understood to mean that no delegation maintained its objections to a text or attempted to prevent its adoption (C/M/146, page 20). Some delegations appeared to be attempting to pull back, in one area, from the consensus reached when the Ministerial Declaration had been adopted. Referring to the Community's assertion at the Council meeting on 29 May that silence did not always indicate consent, he said that a collective decision had been taken by the CONTRACTING PARTIES which the Secretariat was responsible for carrying out. His delegation continued to urge the Council to adopt the proposed decision in C/W/467.

The representative of Finland recalled that at the most recent Council meeting, it had been evident that there were different perceptions of the history of this matter. He said that the relevant Ministerial decision clearly did not include products of advanced stages of industrialization, such as paper. The Working Party had gone so far as to include pulp, and he asked where the line would eventually be drawn should more advanced industrialized products be included, as many products could be made from wood. A clear line of demarcation among industrial products had to be made. The Nordic countries believed that the agreed work of the Working Party should be continued and completed in fulfilment of its mandate.

The representative of the European Communities said that his delegation, as others, did not share Canada's interpretation of the history of this matter. He recalled that at the time of the Ministerial decision, contracting parties had accepted an ambiguous situation regarding forestry products in order to reach an overall decision, and that the implementation of the decision on natural resource products had required a number of consultations to limit the scope of the three sectors to be studied by the Working Party. The Community had made a final compromise on forestry products in agreeing to include pulp, as some contracting parties, particulary developing countries, attached great importance to this product. The Community had never thought in 1982 that the Working Party would study all the sub-products of wood, as the Canadian request seemed to suggest. For the time being, the Community could not modify its position on this matter, but would carefully consider Canada's arguments. The Working Party's mandate and terms of reference had been established, and it should be allowed to complete its work; when this was done, contracting parties could consider what other sectors or products required examination.

The representatives of Peru, New Zealand, Brazil, Chile, Colombia and Zaïre supported Canada's views and its request in C/W/467 and Add.1.

The representative of Austria reiterated that his delegation could not agree to including paper in the forestry products study for reasons which Austria had stated at the previous Council meeting, including the precedents which might be set regarding other products to be included in this study.

The representative of Spain recalled that in 1983 there had been consultations, in which his delegation had participated, to determine the scope of the forestry products study. His delegation's records showed no reference having been made during the consultations to the inclusion of products under Chapter 48 of the CCCN.

The representative of Canada said an important element of his earlier statement was the fact that a decision had been taken by Ministers after a full and thorough evaluation of the subject. Throughout the work of the Preparatory Committee and the Ministerial meeting itself, there had been no reference to any reservation by any contracting party about the work to be undertaken by the Working Party. His delegation reserved its right to revert to this item at the next Council meeting.

The Council took note of the statements.

10. Customs unions and free-trade areas; regional agreements
- Calendar of biennial reports (C/W/469)

The Chairman recalled that at their Twenty-Seventh session the CONTRACTING PARTIES had instructed the Council to establish a calendar fixing dates by which contracting parties that were members of a regional agreement would be invited to submit a biennial report on developments under the Agreement concerned. The most recent calendar established by the Council in May 1983 had covered the period October 1983-April 1985. In document C/W/469 the Secretariat had circulated suggestions for a new calendar for consideration by the Council.

The Council approved the proposed calendar (L/5825).

11. Consultation on trade with Hungary
- Establishment of a working party

The Chairman recalled that the Protocol for the Accession of Hungary provided for consultations to be held between Hungary and the CONTRACTING PARTIES biennially, in a working party to be established for this purpose, in order to carry out a review of the operation of the Protocol and of the evolution of reciprocal trade between Hungary and the contracting parties. He proposed that the Council establish a working party to carry out the review in the autumn of 1985.

The Council agreed to establish a working party with the following terms of reference and membership:

Terms of Reference

"To conduct, on behalf of the CONTRACTING PARTIES, the sixth consultation with the Government of Hungary provided for in the Protocol of Accession, and to report to the Council."

Membership: Membership would be open to all contracting parties indicating their wish to serve on the Working Party.

Chairman: Mr. R.F. Nottage (New Zealand).

12. Consultative Group of Eighteen

The representative of Korea, speaking under "Other Business", recalled that at the November 1984 Council meeting, a number of contracting parties, including Korea, had referred to the necessity of reviewing the composition of the Consultative Group of Eighteen with a view to enhancing its effectiveness. The Council had requested the Director-General to hold informal consultation on this question during 1985, the results of which would be reported to the CONTRACTING PARTIES at their Forty-first session. His delegation urged the Director-General to start these consultations immediately so as to reach a satisfactory conclusion by November 1985.

Mr. Kelly, Deputy Director-General, said that the Director-General intended to hold such consultations but that an exact schedule had not as yet been set.

The Council took note of the statements.

13. Japan - Quantitative restrictions on imports of leather footwear

The representative of the United States, speaking under "Other Business", said that the bilateral consultations which had been held with Japan under Articles XXII and XXIII:1 regarding its system of quantitative restrictions on imports of leather footwear had not produced a satisfactory resolution of US concerns. He said Japan's system of import restrictions on leather footwear was identical to that on imports of certain types of leather which had been found to be inconsistent with Article XI. In the absence of an acceptable solution, his delegation intended to pursue this matter under paragraph 2 of Article XXIII.

The representative of Japan said that his delegation had responded positively in the two consultations which had been held, by proposing pragmatic and concrete measures aimed at enlarging access to Japan's leather footwear market. His Government would continue to make efforts to resolve this question so as to expand trade in this field.

The Council took note of the statements.

14. United States - Trade measures affecting Nicaragua

The representative of Nicaragua, speaking under "Other Business", said her delegation, in its first consultation with the Chairman of the Council regarding the US trade measures affecting Nicaragua, had asked that consultations with other countries on this subject be accelerated so that this item could be included on the agenda of the Council's meeting in July. Her delegation reserved its right to revert to this item at that meeting.

The Council took note of the statement.

15. Tentative program of meetings

The representative of India, speaking under "Other Business", recalled that at the Council meeting on 30 April and 1 May 1985, his delegation had referred to the need for consultations on the program of meetings. He said that the purpose of such consultations would be frustrated by any further delay in holding them, and suggested that in order to allow time for them, some activities currently scheduled might be cut down, as the existing program was tentative.

Mr. Kelly, Deputy Director-General, said that the Director-General intended to hold these consultations in the very near future. He added that informal consultations on the Commercial Policy Training Courses would be continued and that a paper on this subject would soon be circulated to interested contracting parties.

The representative of Egypt supported the statement by India.

The Council took note of the statements.