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# GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
11 and 16 November 1982

MINUTES OF MEETING

Held in the Centre William Rappard on 11 and 16 November 1982

Chairman: Mr. B.L. Das (India)

Subject discussed: Preparations for the Ministerial meeting
- Report of the Preparatory Committee (L/5395, PREP.COM/R/10) and presentation by the Council of a text for consideration by the CONTRACTING PARTIES (C/W/403)

The Chairman recalled that at the meeting of the Council on 3 November 1982 he had noted that it was the general wish of the Council that the matter under consideration should be pursued and that consultations should be held on the basis of the report of the Preparatory Committee (L/5395). He had expressed the hope that delegations would also consult among themselves and had offered his assistance in this respect.

Following further consultations he presented to the Council a note which he had prepared on his own responsibility containing the texts which had emerged from the consultations (C/W/403). He said that discussions were still continuing on some items when the note had been prepared, and reported on these discussions. He invited the Council to consider the texts and his report with a view to making recommendations to the CONTRACTING PARTIES.

The representative of Norway, speaking on behalf of Finland, Norway and Sweden, expressed his conviction that, although certain items still remained open, agreement on a final document was now well within reach. However, further flexibility was still needed in the same spirit of co-operation that had prevailed thus far. The fact that the texts left things to be desired for all parties was a sign of a good compromise. Turning to particular aspects of the text, he emphasized the considerable importance which Finland, Norway and Sweden attached to the political declaration. They regretted the lack of substantive results thus far on safeguards, having expected a more far-reaching result and, in particular, believing that it would have been important to create greater transparency concerning so-called "grey-zone measures". The solutions concerning agriculture were clearly of importance and formed a good basis for future work in this area, partly breaking new ground. He emphasized that increased transparency and improved co-operation in this field in a special committee on agriculture should be welcomed. It was the understanding of the countries on whose

behalf he spoke that this committee would be the competent forum for all measures to be examined in the field of agriculture. The proposed decision dealing with GATT Rules and Activities Relating to Developing Countries should give a basis for strengthened and improved co-operation in this important field. The decisive factor would, however, be the follow-up, as was the case for the proposed decisions as a whole. The ideas referred to in paragraph 5 of document C/W/403 had been the subject of much discussion. He agreed that a cautious approach was warranted here, but expressed the hope that this would lead to developments which were in the interest of all contracting parties and in the interest of developing countries in particular. Referring to the lack of a text concerning dispute settlement procedures, the view of Finland, Norway and Sweden was that the existing procedures were adequate, provided there was the necessary political will to respect them. There was a need for increasing the commitment of contracting parties to observe the procedures faithfully and to take full account of findings and recommendations which emerged. He expressed reluctance to introduce new, supplementary procedures and elements which might complicate the process. Certain aspects of the texts submitted by the Chairman might require some further consultations, but Finland, Norway and Sweden expected to be able to join a consensus in this matter. He concluded by saying that, with the qualification made at the beginning of his intervention about the need for further efforts concerning unresolved issues, the delegations on whose behalf he spoke would recommend the compromise text to be accepted by their governments.

The representative of Singapore expressed the conviction of his delegation that document C/W/403 represented a big step forward and was the best text possible at this stage. To Singapore, a country that held fast to the principles of free trade, the forthcoming Ministerial meeting was an important event during this prolonged period of international economic crisis with its adverse effects on international trade. Singapore expected the Ministerial meeting to address itself to the effective functioning of the multilateral trading system and the adoption of a strong, unequivocal commitment to a standstill against protectionist measures, and to wind back on existing protectionism. He regretted that in document C/W/403, the paragraphs relating to standstill and rollback (paragraphs 7(i), 7(ii)) contained insufficient commitment and were ambivalent enough to lend themselves to varying interpretations whereby even the most protectionist contracting party could draw comfort from them. On safeguards, he noted that there was a reaffirmation of the basic principles of the General Agreement in the context of a comprehensive safeguards system. The basic principle of the General Agreement was the most-favoured-nation principle of non-discrimination; and any further efforts on safeguards had to be premised on this principle. He noted that no new commitments had been made to assist developing countries, and that only previous commitments had been reiterated. However, his Government had noted that the tremendous pressure which had built up in the last few months to graduate developing countries, in the guise of requests for developing countries to assume more responsibilities in international trade, had been somewhat muted. While he

agreed that developing countries must, like all countries, continue to open up their markets to imports, graduation was not the solution to the problems of protectionism and friction in international trade. If graduation were the answer, trade problems amongst the developed countries would have disappeared long ago. The real problem was that trade had not been allowed to be conducted on the basis of comparative advantage. In concluding, he expressed his support that document C/W/403 be submitted to the CONTRACTING PARTIES as the recommendation of the Council.

The representative of Colombia, speaking on behalf of a number of developing countries, said that document C/W/403 represented an overall global reciprocity. Even if no delegation had been able to achieve all that it wished, all delegations could find in the texts something that they expected from the Ministerial meeting. The developing countries believed that document C/W/403 represented an adequate basis for the Ministerial Declaration, subject to the consultations which the Chairman might wish to continue during the next few days in order to arrive at a document which could be adopted by all contracting parties.

The representative of Yugoslavia said that his delegation supported the proposal contained in document C/W/403. The texts constituted an improvement, both in terms of content and commitments, and was an acceptable compromise. The diagnosis of the situation in world trade and the agreed commitments of the contracting parties, as contained in the new texts, represented a solid framework on which constructive political action could be undertaken and developed in the forthcoming period to strengthen the multilateral trading system and the rôle of GATT in it. His Government was well aware that the most acute problems in world trade relations facing the contracting parties at this juncture could not be solved at a single conference, no matter how high ranking its participants. Therefore, in expressing a favourable attitude on the proposed draft Ministerial Declaration, Yugoslavia also hoped that after the Ministerial meeting the governments of the contracting parties would honour the commitments they would assume and which were contained in document C/W/403. If not, the future of GATT and world trade relations would be very seriously threatened in a way that would be more dangerous than if the Ministerial meeting had not been held and a Ministerial Declaration not adopted. The proposed draft Ministerial Declaration was the result of negotiations in which the majority of participants, and particularly the most powerful, were primarily concerned with their individual interests. Some of the most essential issues for restoring GATT's confidence and credibility basically remained unsolved. On some issues the Ministerial Declaration also lacked firm political commitments that Yugoslavia would have liked to see included. It was unfortunate that in the present complex economic and political circumstances, where short-term national interests predominated, many important issues had to remain a subject for further study. In conclusion he said that Yugoslavia was ready to accept the proposed text.

The representative of Bangladesh endorsed the text contained in document C/W/403 and expressed the hope of his delegation that a consensus might also be reached on other issues like dispute settlement procedures, subsidies, fisheries and services. He stressed that greater efforts would have to be made in future to translate the intentions expressed in the draft Declaration into concrete actions. In the past, many such decisions had been taken, particularly in relation to developing countries in general and least developed countries in particular, but had remained pious wishes. Bangladesh, therefore, expected future decisions to be more action-oriented.

The representative of Australia said that his delegation had difficulties in agreeing with those representatives who had expressed the view that agreement was within reach and that remarkable progress had been made in recent days. Nor did Australia consider document C/W/403, as it stood, as providing an adequate basis for Ministerial consideration. He wished to register Australia's disappointment with the texts which had emerged, as they represented even a further erosion of the text contained in document PREP.COM/W/33/Rev.1. In his Government's view, the extremely difficult situation described in the opening paragraphs of the draft Ministerial Declaration could not be permitted to continue, and demanded stronger and more positive decisions than those envisaged in the text. His delegation found that the proposed action-oriented parts of the text and the appended work programmes on individual items, both of which were incomplete, fell far short of anything that might be regarded as a starting point for the adoption of decisions by Ministers and which would set in train a process of restoring, sustaining and improving the GATT system.

He said that in the first place, there were still major gaps in the document in respect of key areas of interest, as reflected at page 13. Secondly, in respect of other areas where there were texts, for example in respect of a standstill and windback of protectionism and regarding agriculture, the words did not provide a clear and unambiguous authority and direction for a programme of action which, on the one hand would provide for a breathing space on protectionist measures and, on the other, set new directions for change in areas which had not benefited in full from the GATT. It seemed to him that one of the underlying dilemmas had been an excessive search to prepare a neat, clean text, without square brackets, around which decisions might coalesce so as to ease the way for Ministers. His delegation believed that in pursuing this objective, the contracting parties had done Ministers a disservice, because it inevitably led in the direction of a compromise based on the lowest common denominator and, in the case of document C/W/403, a result in key places that would involve little meaningful political commitment to deal with the problems so starkly identified in the preambular paragraphs. The process had resulted in the drafting of words which, after the event, could be interpreted in so many different ways. His delegation failed to see how such a result helped the cause of progress and indeed, the credibility of the GATT. As far as

Australia was concerned, experience with the results of the MTN bore witness to this. Where there were areas of dispute which could be resolved only by Ministers, then they should be identified as such. Some were indeed reflected at page 13. Of particular concern to his delegation was the fact that the document could be read to indicate that in respect of the topics outside those identifed at page 13, there was a measure of agreement on particular texts. In his view, the wording of the Chairman's cover note, "the texts which have emerged from these consultations", had the tone of agreement about it. To some extent, this was compounded by the distinction drawn at page 13 in respect of those items identified as unresolved and on which further discussions were required. Australia did not regard the elaborated texts of document C/W/403 as settled. In Australia's view, document C/W/403 should clearly not be read to the effect that there was no need for continuing discussions on agriculture, or that the texts on agriculture at paragraph 7(vii) on page 5 and at page 7 and 8 were in effect the last word on the subject. He believed that, like Australia, others would not find satisfactory the fact that the best the contracting parties seemed to be able to foreshadow in respect of agricultural export subsidies was an examination over a period up to two years. Australia would be seeking Ministerial endorsement for a progressive and substantial reduction in the level of export subsidies within a specified time period, a proposal which in effect had been noted as an option in document PREP.COM/W/33/Rev.1.

He said that, against this background, he wanted to register clearly on behalf of the Australian delegation that the text of document C/W/403 was seriously deficient, could hardly be seen in its operative sections as a useful advance on PREP.COM/W/33/Rev.1, and needed a good deal more work before it could become an adequate basis for Ministers' consideration. If other members of the Council agreed that document C/W/403 should be placed before governments, then Australia would not stand in the way, provided that there was no suggestion that the document reflected an endorsed agreed consensus of the Council.

The representative of Hungary referred to paragraph 4 in document C/W/403 where reference was made to "major contracting parties". He said that such an expression conveyed a connotation alien to the legal concept of the GATT, which was based on the equality of the contracting parties irrespective of their being small, medium or major trading nations. He proposed that the reference be amended to read "major trading countries".

The representative of Nicaragua said that the degree of commitments of the industrialized countries was not the maximum for which her delegation had hoped. As a whole, the draft Ministerial Declaration represented a step backwards compared to the Tokyo Declaration of 1973 and even in relation to the GATT Ministerial Declaration of 1963. However, certain doors had been left open. Her delegation appreciated the realistic tone in which the text had been drafted, although a more explicit recognition could have been made of the positive rôle developing countries had played in

absorbing the exports of manufactures from industrialized countries. Nicaragua would like to have underlined the problems faced by developing countries. Solutions had to be searched for the most pressing of these problems, in particular the decline in commodity prices, the limitation of access to markets and the high cost of credits and loans. Nicaragua supported the elimination of coercive measures applied by developed countries for political reasons which contradicted fundamental principles of the General Agreement and were in contradiction with the provisions of Part IV. Nicaragua would have liked to see in paragraph 6 of the draft Declaration the commitment already obtained to grant preferential treatment to the developing countries. With regard to the priorities for the programme of work for the next decade, an important omission consisted of the lack of a text concerning strict adherence to the status quo and to the dismantling of the restrictions affecting products from developing countries, as well as an explicit reaffirmation of commitments contained in Part IV. Her delegation welcomed the compromises reached in the field of agriculture and safeguard measures.

The representative of Pakistan expressed the hope that document C/W/403 could be expanded as a result of further consultations. He said that it was difficult or even premature to make considered comments on document C/W/403 in view of the blanks on page 13 and since the document had not yet been considered in capitals. His delegation was pleased, however, to see a large number of issues settled. The developing countries had never made excessive or extra-GATT demands on their major trade partners during the preparatory process. These demands related to commitments already implied in GATT; and to predictable and reliable procedures within GATT for addressing the problems of developing countries or raising the possibility for their redressal in the future. On the other hand, the developing countries had seen their major trade partners making heavy demands which not only went beyond the existing GATT commitments but also undermined whatever little security was provided to the smaller trading nations in the GATT framework. It would be only after a few years that it could be said whether the forthcoming Ministerial meeting had achieved the task of improving and strengthening the GATT.

The representative of Argentina said that document C/W/403 contained a realistic indication of the maximum that the participants in the preparatory work were prepared to accept. It was of the highest importance that the document no longer reflected the deep disagreement which had charaterized previous drafts. Contracting parties should, in drawing up a balance and evaluating those parts of the draft declaration in which they were most interested, search for a globalization of results. He expressed support for document C/W/403, which in his view reflected such a globalization of results. The limited result embodied in the draft Declaration was conditioned by the existing international crisis. The Declaration should not be compared with previous Ministerial Declarations ten or fifteen years earlier, in times when the international economic situation had been much better. The Argentine delegation considered

document C/W/403 a highly positive document, notwithstanding the room for further improvements from ongoing consultations. He fully supported the presentation of the document to the Ministerial meeting as a proposal by the Council.

The representative of Spain said that document C/W/403 could not fully satisfy each delegation present, but that it might prove impossible to draw up a more complete Ministerial Declaration. It was necessary to be realistic and not ask governments to assume commitments which they could not respect in view of the critical situation of the world economy. As document C/W/403 was still under examination by his authorities, his delegation would abstain from pronouncing on its content, in particular those parts which were of great concern to Spain.

The representative of Israel said that any improvement of the dispute settlement procedures should include the provision that they could not be used to reopen questions which had already been disposed of by the contracting parties.

The representative of Jamaica said that the progress achieved in document C/W/403 reflected the spirit of compromise which had prevailed, and a conviction by contracting parties that the preservation of the GATT system required the combined efforts of all its adherents. She suggested that consideration be given to the decision taken at the twelfth session of the CONTRACTING PARTIES in November 1957 to set up a panel of experts to review trends in the international trading environment and to look into the future. A similar approach might enable a careful review and evaluation of present trends and changing patterns of trade in the 1980s. She suggested in this context that paragraph 7(xi) of document C/W/403 be appropriately strengthened to provide for some concrete mechanism to ensure the continued review of changes in the trading environment. She also proposed an amendment for the text on GATT Rules and Activities relating to Developing Countries, namely to insert the words "contracting parties" after "developing countries" in the heading of paragraph 4 on page 15, so as to ensure, in view of the financial constraints, that benefits were directed towards contracting parties.

The representative of Chile said that document C/W/403 reflected a reasonable compromise and covered the maximum of the possibilities that could be achieved at this time. As in the case of any compromise solution, the draft declaration had certain gaps, for example, as concerned agriculture, which was an item of maximum priority for Chile. The text and political commitments relating to agriculture did not give full satisfaction to his Government, but could open possibilities of undertaking a programme of work which, in due course, could enable contracting parties to correct a fundamental imbalance in the rights and obligations in agricultural trade. While important concessions had been made during the negotiations, the draft Declaration did not open many new possibilities for developing countries. If the political commitments were to be respected

faithfully, however, the Declaration would represent very great progress for international trade relations and would contribute to the promotion of the interests of the developing countries. Referring to the subjects on which consultations continued, he expressed hope that compromise solutions could be found, in particular with respect to fisheries, which was a subject of great interest to Chile. If no text could be reached on subsidies, such a gap would result in a fundamental imbalance with serious consequences for the future trading system. Chile seconded very strongly the proposal relating to subsidies which had been made by the representative of Australia.

The representative of the Philippines said that document C/W/403 had been transmitted to the capitals of the ASEAN countries, and that they would not stand in the way of the Council's submitting document C/W/403 to the CONTRACTING PARTIES. He said that he would submit a text to be included among the documentation for the Ministerial meeting and for circulation to contracting parties.[1]

The representative of the European Communities endorsed the amendment proposed by the representative of Hungary and observed that while it was true that all contracting parties had the same rights and obligations, all did not have the same weight. The larger trading partners had, and were rightly expected to assume, greater responsibilities. It was also a fact of life that the views of the larger trading partners could not be ignored and had to be taken into account. He further observed that the EEC maintained a guarded and cautious attitude because it did not wish to assume obligations or enter into commitments that could not fully or faithfully be honoured. In this connection, he recalled that an eight-point work programme adopted by a Ministerial meeting in the GATT in May 1963 with the support of a large majority of the industrialized countries, to which the EEC had maintained a reservation, had remained unfulfilled.

The Ministerial document (C/W/403) was not complete; and continued discussions were still required on a number of subjects. It undoubtedly, however, represented an important benchmark in preparations toward the Ministerial session of the CONTRACTING PARTIES. While it might be somewhat premature to evaluate its scope and importance, it did, however, represent important progress over the document presented by the Preparatory Committee. While its full political, economic and legal implications would need to be examined carefully by the relevant experts in the capitals, as the negotiator on behalf of the EEC he was prepared to present it positively to his authorities. He observed that while the "political declaration" in the document was somewhat general and imprecise, it carried a certain prestige and influence, embodying commitments of a political

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[1] See document W.38/2.

character. He said that the EEC and its member States considered the "political" and "operational" commitments in a serious and responsible manner. There could be no question of subscribing to commitments that could not be honoured. In that context he recalled the earlier programme of action adopted in May 1963, to which the EEC had not subscribed and which had remained virtually a dead letter. As regards the diagnosis, analysis would be clearer if it focused on the fact that the crisis had made any control of protectionist pressures more difficult, and that trade expansion had been more important than production expansion. The Community wished to recall clearly that one should not conclude that nothing would be undertaken to control protectionism until the crisis was passed.

With respect to paragraph 5, the Community wished to recall that there could be no question of imposing any new or additional obligations on the occasion of the Ministerial meeting. It would be appropriate to re-examine the wording on subsidies and amend it in the sense of the "possibility" of limiting any "serious prejudice to the interests of any contracting party". With respect to paragraphs 7(i) and 7(ii), there could be no question of taking on commitments, even "political" ones, (i.e. legally less binding) that would be outside the reach of governments. On the other hand, the Community and its member States were ready to "make determined efforts". It was difficult to take on commitments in areas that were ill- defined and not well known, involving measures that were beyond GATT control. Such measures were far from well known and far from under control. They had their own logic and had no doubt contributed to reduce commercial tensions. It was not possible, therefore, to subscribe to the idea of not "circumventing obligations" so long as measures outside GATT control had not been identified nor analysed. With respect to paragraph 7(vii), clearly there could be no question of taking on new or additional obligations. On the other hand, it was appropriate to state that existing policies would be pursued - as in the past - in conformity with obligations under the General Agreement, and to underline the interesting element regarding new policies to be introduced. Paragraph 7(x) reflected an important concession in that it singled out the textile and clothing sector in the context of general "political" commitments. On the other hand, the text would have to be aligned with that of the decision on textiles and clothing, on page 11 of the document. In the course of consultations the Community negotiator had requested the addition of a paragraph (xii) but had won no support, and despite the fact that the proposal had been rejected unanimously by the other participants the Community was still asking for insertion of the following text as paragraph 7(xii); "to seek to improve the balance between contracting parties' contributions to the effective functioning of the multilateral trading system and the benefits they draw from it". With respect to the section on agriculture, clearly the existing text would in no case lead to negotiations. That being said the negotiator would try to recommend the text to his authorities but doubted that his approach would be successful. Regarding the section on

tropical products, the Community was faced with objective difficulties because of arrangements it had undertaken in favour of certain developing countries. Any further move in favour of other developing countries that would affect those products could bring those arrangements into question. The Community felt that it had gone to the limit of its possibilities. On the other hand, it would welcome improved access for tropical products to other major markets. With respect to the section "Quantitative restrictions and other non-tariff measures", the Community recalled the historical origins of certain residual quantitative restrictions and the context of imbalance in the responsibilities deriving from obligations between contracting parties. Priority would be given to measures in favour of developing countries. With respect to issues still pending (page 13 of the document), once solutions had been arrived at an appropriate overall appreciation would be feasible.

It would be appropriate to ensure that each participant could find a minimum number of elements of satisfaction in the overall results of the Ministerial meeting. Attention should be given to the developing countries for whom the attractiveness of GATT must remain intact. Even if they seemed to be deriving no direct concessions, at least they should be shown all the beneficial effects of a multilateral trading system that was being maintained and strengthened as a positive element for their trade and their development. In those conditions, the Ministerial meeting would constitute a message of reassurance for the world trading community.

The representative of Canada observed that while parts of the document left his authorities with less than full satisfaction, they realized that one must yield ground in the search for consensus. They could agree to its forwarding on the basis proposed by the Chairman on the understanding that work would be continuing to complete it and to make it acceptable to all. For example, there was a lack of balance in certain parts of the document. It was difficult to see how the commitments set out in sub-paragraphs 7(i) and (ii) could be meaningful or accomplished in the absence of an undertaking on safeguards which had yet to be worked out; and his position on the one would be related to the other. Similarly, care must be taken to maintain a clear distinction between "illegal" or "inconsistent" measures and the "legal" or "consistent" measures, and not to appear to impose any additional obligations in regard to the latter. The text on textiles might represent a meaningful step forward but could be accomplished, only if other elements responding to interests of governments in other areas were to be included in the final text, given the situation of economic crisis and difficulties in which all governments found themselves. He expressed surprise at the absence of a text on Fisheries in the document since, in his view, in the course of the negotiations a particular proposition had received a large measure of support and only one delegation had difficulty with it. Many other texts of a similar status had found place in the document. His delegation was prepared to work further to see if some way could be found to accommodate the point made by this one delegation. Even if this were not found possible, his authorities would expect the text

referred to by him to appear in the document as it was finalized for Ministerial discussion. He also found it regrettable and unfortunate that a more substantial text could not be achieved in the portion dealing with the trade of the developing countries.

He observed that the document would be further improved and completed in the days that remained. Some critical issues still open, which should be pursued with a bit of daring, working in the context of the fact that the Ministerial meeting was supposed to be a message about protectionism and priorities. The focus of the commitments and decisions of the meeting was the interpretation and clarification of existing obligations, not the creation of new obligations. That was why the meeting was described as a "trade policy" and not "trade negotiations" conference. The remaining work on the document and in preparations for the Ministerial meeting should concentrate on "interests" of the contracting parties, and not on questions of legal balance. The public at large was looking for a recognition that the existing commitments would be honoured, and a commitment that there would be a viable multilateral contractual system. It was looking for an indication from governments that they were ready to take a relatively dynamic approach to trade problems today. It was not the time for people to put forward items on which they had been isolated in the past. Rather it was time to try to put governments in a position where the rôle of commercial policy could once again, internally and externally, begin to contribute to extricating the developing and developed world from the serious economic circumstances in which they found themselves.

The representative of Japan observed that the most important part of the Ministerial document was the political declaration. In this connection he drew attention to some parts of the recently issued GATT report on "International Trade 1981/82". He commended the distinction which had been made between "tactics" and "strategy" in the report and quoted passages from it. To say that present economic hardship and protectionistic pressures could not be contained was not to pronounce the line of policy, i.e., strategy, but rather to yield to the temptation of the short run tactics "without basis in either theory or historical experience". The reason that the contracting parties had agreed to hold the Ministerial meeting was not to confess their defeat to so-called "reality", but to declare to the world public that they were ready, individually and jointly, to undertake a series of actions as a strategy based on time-tested GATT principles. In regard to the question of strategy the report spoke of a need to reinforce the positive, investment-strengthening effects by clearing the way for structural adjustment to proceed without further distortions, which would require a reversal of current protectionist trends, a renewal of the sustained liberalization effort and a phasing out of the distorting incentives created by internal policies. His Government shared this conviction; and it was an orientation of policy, i.e., strategy, that it would follow. The draft Ministerial Declaration also appeared to maintain this basic direction. The Japanese delegation would continue to defend this strategy from erosion and dilution by the

introduction of such alien elements as "balance of rights and obligations" or "balance of benefits", and would strive to give a sharper focus to the basic strategy, in co-operation with other like-minded delegations, to make the Ministerial meeting a success. The representative of Japan stated that his comments related particularly to paragraphs 4 and 6 of the Ministerial Declaration. He proposed specific drafting and other necessary modifications to those and other portions of the text, as follows: with regard to paragraph 4, his delegation dared not oppose the last sentence which began with "Such differences and imbalance ... is distorted" under the two conditions: (a) Any further attempt would not be made to insert such words as "balance between contracting parties' contributions to the effective functioning of the multilateral trading system and the benefits they draw from it." and (b) the words "through the use of export subsidies" should be retained. It would be more appropriate that the word "imbalance" should be replaced by the word "strains". In respect of paragraph 6 sub-paragraph 1, the sentence after "so that" should read "so that, based on mutual commitment, mutual advantage and overall reciprocity, and most-favoured-nation clause, it may contribute vigorously to the further liberalization and expansion of trade". With regard to sub-paragraph 7(i), the utmost effort should be made not to weaken further this sub-paragraph. In sub-paragraph 7(ii), it would be more appropriate and realistic if "to dismantle" were replaced by "to make determined efforts to dismantle progressively". The words "to bring into conformity with the GATT" would, he feared, give the impression that focus was placed on seeking to obtain solely the legality based on technical criteria under the GATT. His delegation understood that such derogations from GATT as waivers would be covered by the words in paragraph 7(i) and (ii) which read "which nullify or impair benefits accruing to contracting parties under the GATT". As for sub-paragraph 7(vii), any study of agriculture problems should be conducted, taking into consideration the specific characteristics of agriculture. Therefore, it was desirable that reference should be made in this sub-paragraph to this point. His delegation understood that this sub-paragraph would under no circumstances prejudge works to be done by a Committee on Agriculture. With regard to safeguards and sub-paragraph 7(viii), it was indispensable that a Ministerial document should include a comprehensive solution for safeguards with a view to strengthening the credibility of political commitments. The comprehensive solution should include, among others, the following: (1) The basic principle that the safeguard measures should be taken solely in accordance with Article XIX of the GATT; (2) so-called grey area measures should be put under stringent and equitable disciplines; and (3) a Committee on Safeguards should be established and should be charged with securing transparency of safeguard measures and fulfilling multilateral surveillance.

He said that in respect of the text on GATT rules and activities relating to developing counties, matters relating to developing countries were multi-faceted and interlinked. In view thereof, his delegation considered it desirable that an integrated approach be made to matters relating to developing countries by taking up, inter alia, tropical

products, Part IV, the Enabling Clause and tariff escalation. With regard to the way in which the review of Part IV would be made, his delegation was not necessarily convinced as to whether the way provided in paragraph 1 was appropriate. However, his delegation would go along with the others if they agreed to the present paragraph 1.

As for trade in agriculture, with regard to the words "including the preparation ... further liberalization of agriculture" in the preamble, his delegation considered that the words "undertake preparations" covered the former words cited above and wondered whether it was necessary to be so precise and detailed as provided for in the present preamble. It might be desirable to delete the words "including the preparation ... further liberalization of agriculture" in order not to prejudge the work which the Committee on Agriculture would do. Because of the same reason, the words "as a basis for decisions to be taken at a meeting to be held in 1984" should be replaced by the words "and to make appropriate recommendations at the meeting held in 1984". With regard to the words "on the basis of overall ... under the General Agreement", his delegation simply wondered whether it was necessary to repeat those words because similar words were already included in part of the political declaration. With regard to the words "without prejudice to ... under the General Agreement" in paragraph I.3, those words seemed to be inconsistent with making examinations of the various issues. Therefore, it was not deemed appropriate to retain those words.

His delegation considered that Tropical Products should be dealt with within the integrated approach to matters relating to developing countries. While recognizing fully the importance of tropical products to developing countries, his delegation suggested that "apropriate negotiation" be replaced by "and, as appropriate, negotiation".

He said that in reviewing Non-Tariff Measures one should avoid placing much emphasis on legality based upon the technical criteria. The term "elimination" was too strong. Therefore, the words "so as to achieve the elimination ... and other measures ...." should be replaced by the words "with a view to making progress in liberalizing QR's and other NTM ...". It was more appropriate that non-tariff measures in the field of agriculture should be taken up in the Committee on Agriculture with a view to avoiding possible duplication of work.

As for tariffs, his delegation considered that a full implementation of tariff reduction agreed upon in the MTN and embodied in the Geneva Protocol (1979) and the Supplementary Protocol was of great importance and should be duly reflected in the text. With respect to paragraph 1, the term "examining" should be inserted between "to" and "effective" in the second line. With respect to paragraph 2, the third sentence should be deleted. If, however, the majority view was in favour of maintaining that sentence, Japan could consider going along with the majority view, provided that the term "must" was replaced by "should" in the sixth line or modified in line with Article XXVIII:2 of the General Agreement.

In respect of exchange rate fluctuations and their effect on trade, his delegation was of the view that GATT was not an appropriate body to deal with this matter. If Japan were to go along with the text proposed, at least the following modifications should be made: in the second line, the phrase "by the IMF" should be inserted right after the phrase "the possibility of a study"; in the fifth line, the term "any" should be deleted.

As for structural adjustment and trade policy, export of domestically prohibited goods, forestry products and non-ferrous minerals and metals, and dual pricing and rules of origin, his delegation considered it more appropriate to take up these items at the regular session of the CONTRACTING PARTIES.

In respect of export credits for capital goods, the understanding that the present text did not contradict the position of his Government regarding the treatment of interest rates in export credit which had been expressed in the OECD, Japan could go along with the present text so long as the other member countries of OECD Export Credit Guidelines agreed to it.

He said that his Government could accept the so-called "consensus-minus-two" formula, and supported the enhancing of the rôle played by the conciliatory process in the dispute settlement procedure. His delegation strongly supported the study of services, bearing in mind the need to formulate relevant rules governing trade in services. He also supported a study by GATT of trade related performance requirements and trade in high technology.

The representative of Switzerland said that his delegation was fully ready to support efforts to finalize the document, particularly in regard to Safeguards and Dispute Settlement.

The representative of the United States observed that while further work remained to be done on some of the subjects, his delegation was ready to recommend to its authorities adoption of the texts that had been completed. He emphasized the importance of arriving at a complete and balanced package, and in this connection indicated the keenness of his delegation to continue work on the unfinished items, such as those listed at page 13.

The representative of Brazil observed that the document perhaps had some shortcomings but reflected what it was possible to achieve at the present time. Further improvements might be possible; his delegation stood ready to support any efforts to that end. he also drew attention to the statement by his delegation at the meeting of the Council on 3 November 1982 (C/M/163, pages 2-3).

The representative of New Zealand observed that the document represented a compromise between competing views and aspirations. In the view of his delegation, its chief defect, which would need to be remedied in the short time still available and at the Ministerial meeting itself, was the absence of a clear definition of priorities. The text was a start line; the outcome from the Ministerial meeting must be considerably better, and certainly could be no less. The text reflected an accepted need to resist protectionism in all its forms, manifesting themselves in the increasingly inventive range of import controls and in the widening range of direct export supports. Resisting protectionism meant containing and reducing measures in both directions. The question whether this was a new commitment was perhaps an issue of semantics, and was a moot point. For New Zealand there was no doubt that a new commitment was entailed. As far as agriculture was concerned, the text was a launching pad, and a framework in which important political decisions about immediate problems could be taken by Ministers. It provided the basis for action, in the post-ministerial situation, towards reduction of incidence in export subsidization during the currency of the work programme. New Zealand could not accept the suggestion that studies which were called for in the agricultural work programme were only academic in their conception. If they were so regarded by others, and if they proved in practice to be nothing more, there would be a very serious crisis of confidence in GATT within the next two years or less.

The representative of the United Kingdom, speaking for Hong Kong, observed that the document was not perfect, but that his delegation could support it.

Following the discussion the Chairman said that the final conclusion of the work would be taken only by the CONTRACTING PARTIES when they met at ministerial level.

The Council took note of the report of the Preparatory Committee (L/5395) and the views expressed therein.

The Council further took note of the document C/W/403 which had been presented by the Chairman of the Council. Following the discussion on this document, the Council agreed to forward it to the CONTRACTING PARTIES for further consideration, together with the record of the views expressed in the discussion.

The Council requested the secretariat to bring the French and Spanish language texts into line with the English language version with the help of an informal group of interested delegations.

The Council took note of the suggestions made by the Preparatory Committee concerning management and administration of the Ministerial meeting (L/5395, paragraph 7).