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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
5 June 1985

MINUTES OF MEETING
Held in the Centre William Rappard on 5 June 1985

Chairman: Mr. K. Chiba (Japan)

Review of developments in the trading system
(Special meeting on Notification, Consultation, Dispute Settlement and Surveillance)

The Chairman recalled that at their 35th Session in November 1979, the CONTRACTING PARTIES had adopted the Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance (BISD 26S/210). In March 1980, the Council had adopted a proposal which provided for the Council to review developments in the trading system at sessions specially held for that purpose (BISD 27S/20). At its special meeting in July 1983, the Council had agreed that these meetings would also serve to monitor paragraph 7(i) of the 1982 Ministerial Declaration (BISD 29S/9) and that such special meetings would preferably be held twice each year.

He drew attention to the Secretariat note on "Developments in the Trading System, October 1984 - March 1985" (C/W/470 and Corr.1), and said that as a basis for reference, the Secretariat had also revised the document used at the special Council meeting in November 1984 covering developments in the preceeding six-month period; the revision had been issued as C/W/448/Rev.1. After the present meeting, the Secretariat would issue, in like fashion, a revision of C/W/470 for future reference. He also drew attention to the Secretariat paper on "Improvement of Notification Procedures", which had been prepared at the request of delegations and issued as document C/W/471.

The representatives of Canada, New Zealand and the United States said that their delegations would submit suggested corrections to C/W/470 in writing to the Secretariat.

The representative of the European Communities said that the Council's task of surveillance was a key mechanism which had perhaps not been sufficiently used to follow the evolution of the GATT system and to see whether it worked smoothly; it provided a kind of barometer which had not to date been systematically used. The diagnosis of the system which the CONTRACTING PARTIES should be carrying out was, instead, being made by various external fora or bodies; this diagnosis must be made collectively and within GATT. Referring to C/W/470, he said that he felt it was a useful basis for this exercise; however, he would have liked to have seen the analysis and overview sections in the document developed a bit more, in order to help contracting parties to carry out this collective exercise.

Turning to the implementation of Paragraph 7(i) of the 1982 Ministerial Declaration, he recalled the Community's interpretation of this commitment in 1982, stressing that implementation had to be assessed in the light of this commitment. The Community agreed with the comments in paragraphs 4, 5, 6, and in particular 7, of C/W/470 suggesting that implementation had been less than total. All contracting parties had nonetheless tried to resist protectionist pressures. However, the degree of success of these attempts depended on the origin of such pressures, whether they reflected trade problems or other economic factors, and in the end, on the correctness of the analysis of those taking political decisions, as well as on the stakes in domestic terms. All had made efforts, including Japan, although judgement had to be suspended on the results of the latter's efforts. Taken overall, he said that thus far the GATT system as a whole had held, even if adjustment or perhaps modernization were necessary. The scope of the implementation of paragraph 7(i) had to be judged objectively; on a global basis, such implementation was only really possible by contractual commitments, in other words by negotiation.

Turning to the European Communities, he stressed the vital importance of trade to their existence, and the continuity of their attitude and position in regard to resisting protectionist pressures. They had not failed in these efforts, as evidenced by the size of the Community's trade deficit; while it could not be compared to that of the United States, it had doubled to nearly 31 billion ECUs in 1984, and was comprised largely of a deficit with the developing countries and Japan. He then cited statistics regarding economic growth within the Community in 1984 which indicated modest improvement, although unemployment remained a major problem, and pointed out that the increase in private investment had been applied largely to structural adjustment measures rather than expansion of existing industrial capacity; capacity utilization had reached a rate of 82 per cent in 1984. Private consumption had increased modestly while public consumption had registered almost no change. The progressive decrease in inflation and the high level of monetary stability within the European Monetary System suggested continued medium-term improvements. He said that, for the time being, nothing indicated that the resumption of growth in Europe or in the world was slowing or stagnating; and US economic activity seemed to have slowed without causing significant disruption. However, the increasing US current account deficit and variations in the value of the dollar indicated that the situation in the future might be rather difficult. He noted that paragraph 6 of C/W/470 had at last discreetly but clearly recognized that monetary and financial problems had an effect on trade and trade policy -- a recognition which the Community stressed and with which many contracting parties agreed.

As to the Community's economic policy, he said it would be necessary to accelerate the internal opening of European markets by dismantling subsidies and other protective mechanisms which were not justified. Europe and Japan must consider ways to sustain the growth of

internal demand should the US economy be entering a state of slower growth. Improved growth in Europe could lead to a more balanced distribution of capital, a reduction of distortions in exchange rates, disinflation, and hence, an additional margin of real growth. While there had been slight improvement in the employment situation, this remained a preoccupation.

In conclusion, he said that discriminatory measures, whether bilateral or plurilateral, and unilateral arbitrary action should be outlawed in the search for security, stability and confidence in the trading system. GATT's survival and development depended on a stable environment free of capricious political decisions.

The representative of Jamaica said his delegation believed that the overview in paragraphs 4-12 of C/W/470 indicated that the international trading system was in need of some repair; Jamaica shared the Community's view that the Secretariat's analysis in the document could be expanded so as to allow the Council to make a more informed assessment of developments in trade policy. The OECD governments' proposals on phasing out restrictive measures (paragraph 9) could make an important contribution to trade liberalization and expansion. Section V on "Other trade policy developments" was useful but incomplete; for example, there was no coverage of the US Trade and Tariff Act of 1984, and the information in paragraph 44 of C/W/448/Rev.1 on this subject was not sufficiently explicit. The Secretariat of the Latin American Economic System (SELA) had produced a searching analysis of this Act in its document SB/AL EU/LCA/DT No.1 of 1 March 1985. He noted that neither the documentation for the special Council meeting nor the Study Group's report circulated with C/133 contained any reference to work in UNCTAD; in this regard the documentation was incomplete.

His delegation hoped that C/W/471 would be carefully reviewed at the present meeting so that more specific guidelines could be given to the Secretariat for further follow-up and so that appropriate decisions could be taken. The special Council meetings might also take up the question of how to bring about notification of grey area measures (paragraph 4). Regarding paragraph 6, his delegation was not in favour of the Secretariat's interpretation, and encouraged notifications under the MTN Codes being reviewed in the Council. He quoted from the 1979 Understanding and said that Jamaica believed it was the contracting parties' obligation to notify and the Secretariat's duty to compile such notifications made under the MTN Agreements and Arrangements. Referring to paragraph 10 on the effectiveness and completeness of notifications, he drew attention to C/W/446 and asked whether the Secretariat had carried out the review of existing requirements or had initiated informal consultations on the subject of notification procedures as this document had suggested. Paragraph 10 also contained a reference to the need for more complete notifications on subsidies and licensing. In conclusion, he drew attention to the Nordic countries' proposal for establishment of a working party to examine the need, priorities,

periodicity and best use for notifications. He recalled that this had been encompassed in a summary of the main points made at the special Council meeting in July 1983, and said that contracting parties should now see how this proposal could be best put to use.

The representative of Pakistan, speaking on behalf of developing country exporters of textiles and clothing, said that they had always attached great importance to the special Council meetings. He recalled that on earlier occasions, they had called for concrete actions by developed countries to carry out their commitments under the Work Program, particularly with regard to textiles and clothing, as contained in paragraph 7 (viii) of the Ministerial Declaration. As pointed out in C/W/470, the period under review had witnessed few encouraging developments, and these had been largely outweighed by new trade restrictions, pressures for protective action and recourse to measures outside GATT. While paragraph 7 (viii) contained a commitment to liberalize trade in textiles and clothing, it was precisely these sectors which had witnessed the greatest multiplication of protectionist measures and intensification of those already in place. He reiterated a number of concerns of developing countries exporting textiles, such as the calls for consultation made under the US additional criteria announced in 1983, US country-of-origin rules which had since entered into force despite a ruling by the Textiles Surveillance Body (TSB) that they upset the bilateral agreements between the United States and developing country exporters, and US countervailing duty investigations on textiles and clothing imports from 13 developing countries. He said that the discriminatory impact of these developments was evidenced by the fact that between October 1984 and March 1985, US imports from MFA developing countries declined by 4 per cent, whereas imports from the developed countries increased by 35 per cent. This clearly indicated that an increasingly protectionist trend was developing in the major importing countries, particularly the United States. This trend was also highlighted by a recent proposal in the US Congress, namely the Textile and Apparel Trade Enforcement Act of 1985, known as the Jenkins Bill. Introduced on 19 March 1985, the Bill would substantially reduce trade from developing suppliers: overall textile and apparel imports to the United States in 1985 would be cut by 20-30 per cent from 1984 levels, and for some suppliers, reductions would be well over 50 per cent. While the US Administration was on record as opposing the Bill, there was nevertheless deep concern that it had been initiated and pushed forward despite its direct contradiction with US commitments under the MFA, bilateral agreements and the Ministerial Declaration.

The representative of Yugoslavia said the main lesson to be drawn from C/W/470 was that the standstill and rollback commitments of the Ministerial Declaration had not been carried out, particularly with regard to the elimination of measures inconsistent with the General Agreement. These unfavourable developments had not been offset by positive actions, such as the accelerated implementation of Tokyo Round tariff cuts, liberalization of import licensing procedures in some

countries, or other actions facilitating market access. As to the GSP schemes, some marginal changes had been made, mostly by tightening the exception criteria. He said that to deal with threats of market disruption, the application of measures outside GATT and based on new concepts relating to the regulation of trade was becoming more frequent and widespread; these included voluntary export restraints, orderly marketing arrangements, determination of the permissible level of import penetration and market share, and implementation of various safeguards. These mechanisms were becoming increasingly diversified and were applied to an ever larger number of so-called sensitive sectors. Such a development posed a threat to the future of the multilateral trading system. A prerequisite to strengthening the trading system was the standstill and rollback of such measures. In the textiles and clothing sector, restrictions had not been reduced, and the policies and practices of some developed countries had further aggravated the problems. His delegation supported the statement by Pakistan on behalf of developing country exporters of textiles and clothing. Efforts made by contracting parties within the relevant GATT bodies to correct trade problems in various agricultural products had failed; this could have serious effects and social implications for developing countries. He said that there was a marked rise in the number of anti-dumping and countervailing measures applied by major world traders, and that these actions were increasingly being used for protectionist purposes. These and other developments proved that the recovery of the world economy and international trade had not resulted in reduced protectionism, even in countries where the recovery was most apparent. He then requested some corrections to the factual information contained in Appendix IV of C/W/470. In concluding, he suggested that the Secretariat could, through closer co-operation with contracting parties, improve the substance and presentation of the documentation prepared for these special meetings.

The representative of Korea supported the statement by Pakistan on behalf of developing country exporters of textiles and clothing. He said that for many developing countries, including Korea, the textiles and clothing industry was the main engine of economic development, and in some cases was their sole means of joining the ranks of the developed countries. While the developing countries wanted textiles trade to be left to free-market forces and the principle of comparative advantage, it had instead been the target of protectionism and had become a symbol of restrictive trade practices and pressures against developing countries' efforts for economic advancement. Referring to the Jenkins Bill pending in the US Congress, he said that this would be another landmark, following adoption of the US rules-of-origin regulations the previous year, in the recent history of protectionism in world trade. If enacted, this legislation would cut Korea's textiles quotas for the US market by nearly 35 per cent from their 1984 level. He noted that the US Administration opposed the Bill, and expressed the hope that the GATT Council and other international fora would do their best to stem the surging tide of protectionism in the United States and in other developed countries' markets.

The representative of Cuba said that according to C/W/470, the period under review was marked by the introduction of new trade restrictions, continuing strong pressures for protective action, and recourse to trade measures outside the framework of the General Agreement. The principle of a standstill in trade-restrictive measures had not been observed, and there had been a tendency to increase the application of voluntary export restrictions. In addition to subsidies in the agricultural sector, further problems had developed in trade in dairy products and meat. Moreover, the MFA was being applied more and more restrictively. While the acceleration of Tokyo Round tariff cuts constituted concrete action to liberalize trade, such action had to be accompanied by substantial improvement in the GSP so as to ensure that tariff margins were not eroded and that the GSP was effective in improving market access for developing-country products. While C/W/470 recognized that there had been a sharpening of the criteria for determining a country's eligibility for receiving preferences, it made no reference to the discrimination applied within certain GSP schemes, nor did it indicate that the concept of graduation was contrary to the principles of GSP, and that measures of this kind had increased. While the document reported a one per cent growth rate in the exports of developing countries, few of these countries had experienced any improvement in their growth rates. The document failed to mention the intolerable situation of developing countries resulting from their foreign debt, and implied that their own inappropriate trade policies were responsible for their difficult situation. In concluding, he said that this was only a preliminary analysis of some aspects of the document which nevertheless indicated that the situation was critical and worsening. While many of the problems might be resolved by negotiations, greater efforts would have to be made to carry out the undertakings already accepted, first and foremost those in the 1982 Work Program, which up to now had remained a dead letter.

The representative of Spain recalled suggestions made by his delegation and others at the special Council meeting in May 1984 regarding improvements in the documentation for these meetings. His delegation recognized with satisfaction that the two types of background material for which it had called had now been combined in a single document, and encouraged the Secretariat to made additional efforts on the overview section. He noted that paragraph 5 of this section included a reference to the acceleration of economic recovery in the United States, but said that this was not necessarily a cause for optimism. Fifty per cent of the growth in world trade in 1984 had been due to increased US imports, which were in turn due to the very high value of the dollar; this was among the deeper roots of the protectionist pressures in the United States and should be taken into consideration. Regarding paragraph 6, he said that when a certain level of unemployment was reached, it became very difficult for a country to resist protectionist pressures. The increasing intervention in trade mentioned in this paragraph, such as voluntary export restraints, had never been seriously dealt with, as such measures were not considered to

violate the General Agreement directly. The increase in compensatory- or counter-trade was related to this phenomenon. He said that the disease affecting the trading system had its roots at a deeper level, namely in monetary and financial policies, as had been stated by the representative of the European Communities. The fact that these policies were inadequate was evidenced by the present economic situation, which was characterized by uncertainty; this in turn led to a lack of investment, a decrease in production and trade, and an insufficient level of economic growth. A slow-down of growth in the US economy would create an even more serious situation.

The representative of Norway, on behalf of the Nordic countries, said they noted with satisfaction that the overview section of the Secretariat documentation had been retained, and proposed that it be made a permanent feature. He said that the improved economic and trade performance in the world economy should not lead to complacency, but rather should be taken as a propitious point of departure for considering how to correct the direction in which the multilateral trading system was moving. The trend towards managed trade in the form of counter-trade, bilateralism and voluntary export restraints, added to earlier deviations from free-trade principles, pointed up the need to initiate talks on how to preserve the main pillars of the trading system and how to adapt the system to changes in the world economy. The Nordic countries noted with concern the meagre results of standstill efforts and believed that contracting parties should commit themselves, as had the Nordic and other EFTA countries, not to take new restrictive measures outside GATT. The Nordic countries subscribed to the thrust of C/W/471. While country-specific notification requirements had tended to be fully met, further improvements could be made in the area of general periodic notifications, as was indicated in that document. He drew special attention to paragraph 16 concerning standardization and computerization of information provided in notifications; while this question was technically complicated and did not lend itself easily to discussion in the Council, the possibilities offered by the computer age should be further explored by the Secretariat. Clarification of the options available could facilitate a concrete discussion of this important issue by the contracting parties.

The representative of the United Kingdom, on behalf of Hong Kong, supported the statement by Pakistan on behalf of developing country exporters of textiles and clothing. Regarding the Jenkins Bill pending in the US Congress, he said that the significance of the use of such bills as a means of extracting concessions from the US Administration could not be underestimated. Unless successfully resisted, such pressures might result in new protectionist measures which could not only further impair the trading system, but might also nullify any future attempts to restore the credibility and effectiveness of multilateral disciplines and to strengthen the system.

The representative of Canada said that general improvements in the economic background, while uneven, had had positive effects on restoring markets for all contracting parties. The outlook for sustained and balanced growth in the world economy was better than it had been for years, although for many countries the resumption of sustainable growth was tenuous. Unemployment, interest rates, budget deficits and international debt remained serious problems; but efforts were being made to address them. The Secretariat's overview in C/W/470 suggested a mixture of positive and negative developments in the trade policy environment. It was clear that, far from abating, protectionist pressures were on the increase. There was a real danger that six months later, still more of these pressures might result in new measures contrary to trade liberalization. He said that no single government or country could be expected to reverse these pressures alone; this had to be a collective effort. While it was evident that some trading partners carried a heavier responsibility than others, every contracting party had a direct rôle to play. Canada was prepared to play its part in concert with its trading partners. If a healthy world growth rate was to be sustained to the benefit of each contracting party, all would need to work with renewed vigour and urgency to reverse the erosion in the observance of GATT disciplines, to further open markets, and to restore predictability and stability to international trade relations. It was this message which should set the stage for the discussion at the regular Council meeting on the steps to be taken to preserve and strengthen the system.

The representative of Uruguay said his country was concerned that protectionist measures and those taken outside GATT had continued. Financial and monetary matters were of great importance to Uruguay's trade which, like that of other countries with heavy external debt, was very sensitive to developments in these areas. The negative trends with regard to trade in textiles and clothing were of utmost importance to his country; Uruguay fully supported the statement by Pakistan on behalf of developing country exporters of these products. The increasingly restrictive manner in which the MFA was being applied, even to the least developed countries such as Bangladesh, deeply concerned his authorities; 75 per cent of Uruguay's exports of these products to the United States were subject to restrictions. He said that the Ministerial Declaration represented a commitment undertaken by all contracting parties to liberalize trade; this was in contrast to protectionist trends and initiatives such as the Jenkins Bill, which if enacted would not only conflict with existing international agreements, but might be used to extract even more concessions from the developing countries. Such actions eroded the climate of mutual confidence and trust essential to any kind of negotiation in GATT. The developing countries' desire to negotiate a liberalization of textiles trade had been publicly stated in the Karachi Declaration in July 1984 and reiterated in Mexico in April 1985. It was now up to the importing countries to demonstrate their real intentions. He said that a

liberalization of textiles trade would be excellent proof of the will and interest of other contracting parties to liberalize world trade as a whole.

The representative of Australia said that C/W/470 relied too heavily on compiling data and not enough on analysis, and suggested that future background documentation might refer more to the trade effects of the measures listed and judge as to their GATT conformity. His delegation did not agree with the Secretariat's view that the trading environment had been static during the period under review; Australia felt it had deteriorated. This view was based primarily on developments in the agricultural sector, where actions by the major trading countries had made a very negative impact on the credibility of the international trading system. Recent developments in the International Meat and Dairy Products Councils showed the gap between the spirit of commitment -- such as had been voiced by the Community in March 1985 regarding future negotiations on agriculture -- and actions taken in these Councils. Recent actions related to the United States, such as the continuation of the 1955 waiver (BISD 3S/32) and the new US agricultural exports subsidies scheme, raised similar doubts. Negotiations on agriculture in a new round would be far more difficult as a result of the current atmosphere of confrontation between the United States and the Community. His delegation drew similar conclusions regarding other so-called sensitive sectors such as motor vehicles, textiles, electronics and steel. While the Secretariat document reported some positive developments, this did not offset the lack of movement in these key sectors or the serious regression in the agricultural sector. Regarding the increase in market sharing arrangements cited in the document, he said that with few exceptions, these were the creations of one or the other of the major trading blocs, and that many countries had no choice but to participate in them. It was for this reason that Australia had, at the most recent special Council meeting, emphasized the urgent need for leadership by the major countries in restoring a liberal trading system; this was especially important on the eve of new negotiations. Turning to the issue of notifications, he said that Australia was in broad agreement with the Secretariat Note in C/W/471 that more regular notifications were desirable under the routine requirements. However, trade policies, not notifications as such, were the main focus of these special meetings. He suggested that contracting parties could be asked to assess the effects of their own trade policies and measures, along the lines of the protection balance sheet proposed in the Study Group's Recommendation 1. The key measurement might be the net change in effective rates of assistance to domestic industries during the period under review. Australia encouraged the Council to explore this suggestion, and was ready to participate in any formal or informal process which might improve notifications and an assessment of their trade effects.

The representative of Turkey noted that paragraph 8 of C/W/470 named his country as one of the few which had liberalized import restrictions during the period under review. This was a continuation of an effort begun in December 1983 which had led to a complete overhaul of Turkey's import regime. He said that Turkey was determined to continue the process, but that in order for these efforts to succeed, exports had to be allowed to grow. While his country had succeeded in expanding its exports, it faced restrictions in textiles, steel, agricultural products and raw materials. He said C/W/470 showed that the industrialized countries had intensified their restrictions against the exports of developing countries, in total disregard of the commitments in the Ministerial Declaration. His delegation supported the statement by Pakistan on behalf of developing country exporters of textiles and clothing. He said that the only positive development in the last few months seemed to be the accelerated implementation of the Tokyo Round tariff cuts agreed by some major industrialized countries. However, these were insufficient as a trade-liberalization measure when the main obstacles to trade were voluntary export restraints or unilateral restrictions. The efforts of developing countries, such as Turkey, to open up their economies and bring them into line with GATT rules were hampered by such measures, which inevitably resulted in a lopsided system in which the developed countries gained at the expense of the developing countries. His delegation felt that the trading system was not likely to move in a more positive direction until the industrialized countries began to resist protectionist pressures aimed at restricting imports of products in which developing countries clearly had a comparative advantage. In this regard, his delegation welcomed the statement by the representative of the European Communities.

The representative of New Zealand said that from the Secretariat's overview in C/W/470 and the statements made at the present meeting, it seemed there were both optimistic and less-than-optimistic views of the state of the world trading system. There had been numerous references to unfulfilled commitments. His delegation felt that the Secretariat had, in C/W/470, to a large degree carried out the surveillance function suggested at the most recent special Council meeting. He recalled that paragraph 7(i) of the Ministerial Declaration contained a commitment to avoid measures which would distort trade; in New Zealand's view, this was particularly important in agricultural trade. His delegation supported many recent statements by Australia in this regard. New Zealand encouraged the Secretariat to continue its efforts in this exercise with perhaps more attention to analysis. He referred to trade liberalization measures taken by his country and said that the success of these measures would depend largely on the response of the trading community; this had, so far, not been positive. Regarding C/W/471, his delegation's overall view was that the Secretariat should be enabled to evolve in its capacity to encourage contracting parties to live up to their GATT obligations. Indeed, one of GATT's basic functions was to support governments seeking to do the right thing when faced with the

demands of powerful sectoral pressure groups; greater transparency, in which improved notification procedures were a key element, helped in this regard. With regard to periodic multilateral reviews of notifications and the Secretariat's ability to seek further information or clarification (paragraph 10), he said that ideally, the responsibility for notification should rest with the member governments. However, the Secretariat could, to some extent, act as the CONTRACTING PARTIES' conscience.

The representative of Japan said that the background documentation, particularly the overview section of C/W/470, had been improved. He said that his Government would have willingly discontinued its voluntary restraints on automobile exports to the United States had it not been for the resurgence of protectionist pressures which might have resulted from an increase in these exports. He assured the Council that this measure was transitional, temporary and exceptional. His delegation shared the view that the trading system was in serious danger and that confidence in the principles of non-discrimination and multilateralism was at stake. As C/W/470 pointed out, strong pressures for protective action had been evident in the recent past, despite the brisk expansion of world trade. Such pressures were increasing and were resulting in a policy shift to a more bilateral, plurilateral, or even unilateral or regional approach to trade problems. In Japan's view, these pressures reflected not only cyclical factors in the world economy, but also structural factors such as labour market rigidities, delayed adjustment in uncompetitive industries, and inability to accept technological innovation. It could not be assumed that recovery of the world economy would lead to a rollback of protectionism; the possible slow-down of world economic growth in 1985, the increase in unemployment and the serious impact of debt problems of many developing countries further diminished the prospects for such a rollback. Were the erosion of the fundamental principles of GATT to continue unchecked, an opportune time might never be found to reinforce the open multilateral system.

He referred to the communiqué of the joint IMF/World Bank meeting in April 1985 which stressed that GATT's central role in promoting an open trading system should be strengthened. At the May 1985 Bonn Summit, leaders of the industrialized countries had affirmed that progress had to be made in relaxing and dismantling existing trade restrictions, that new initiatives for strengthening the open multilateral trading system were necessary, and that a new round of negotiations should begin as soon as possible. He said it was important to note that a consensus was emerging in various international fora that immediate action must be taken to strengthen the trading system. His delegation fully shared the Director-General's view that the recognition of this need by developed and developing countries presented a crucial opportunity which must not be missed because of misunderstandings and differences of perception. The question before contracting parties now was how to mobilize the political will to undertake this urgent task.

He referred to the autonomous external economic measures which his Government had taken over the past few years with no request for reciprocity, and noted that additional measures had been announced in April 1985 and that efforts to further improve market access were continuing. Japan would actively promote any moves to halt and reverse protectionism, bearing in mind its responsibilities for the maintenance of the multilateral trading system. However, such efforts should be part of a collective effort by the contracting parties. Japan believed that the GATT, by declaring its intention to engage in negotiations to expand trade, could give the signal of confidence in the future which was so needed by businessmen and politicians.

The representative of Nicaragua recalled the purpose and scope of the special Council meetings. Referring to paragraph 27 of C/W/470 which mentioned the US President's decision of May 1985 to embargo trade with Nicaragua, she said her delegation felt that the Secretariat had been right not to carry out an exhaustive analysis of this action, as it was the contracting parties which had the burden of surveying the preservation of the multilateral trading system. She reiterated her delegation's consternation that such a powerful contracting party as the United States was capable of taking such measures with no regard for its influence on the multilateral system. She said it could not be denied that this measure went against paragraph 7(i) of the Ministerial Declaration and that it distorted and limited trade. Nicaragua wanted to defend the right of all countries, including its own right, to maintain normal trade relations with all countries, and in particular with its traditional trading partners. In spite of the difficulties her country faced as a result of the US measures, all of Nicaragua's trade was carried out on a strict basis of non-discrimination. She said that the United States, in taking these measures, and in reducing Nicaragua's sugar quota in 1983, had used trade for political purposes; this was inadmissible. The CONTRACTING PARTIES had to take these facts into account.

The representative of the United States said that many of the statements made on the information in C/W/470 had been overly pessimistic with regard to the present state of the international trading system. While it might be natural to focus on the negative developments in the trading system in carrying out the Council's surveillance exercise, this should not be done at the expense of a balanced assessment of the state of that system. While his delegation shared many of the points made by Canada that there was cause for concern, he said that the situation was not nearly as bleak as it had been immediately following the 1982 Ministerial meeting; on the contrary, it had improved considerably since then. The United States believed that there had been a change in the trade policy environment in the previous six months; world trade was expanding once again, several countries had taken trade-liberalizing steps and most had steadfastly resisted protectionist pressures. He then cited statistics which

indicated that the United States had taken its undertaking in paragraph 7(i) seriously, even in the face of severe protectionist pressures. For example, US imports accounted for more than one-half of the total increase in world imports in 1984, and 58 per cent of all the manufactured exports of developing countries in 1984 had gone to the US market, an increase from the 45 per cent share a few years earlier. His delegation would duly report the concern which had been expressed over restraints and proposed legislation in the textiles area. He noted, however, that US imports of textiles and clothing in 1984 had increased by more than 32 per cent, a figure similar to that of other recent years. While many factors influenced the growth of trade and the size of the US trade deficit, he said that this deficit would not have been nearly so large nor so beneficial to other nations, particularly developing countries, had the US Government failed to meet its undertaking in paragraph 7(i). One of the most important and encouraging developments since the most recent special Council meeting was the growing awareness among contracting parties of the desirability of new multilateral negotiations aimed at further liberalizing trade and correcting problems in the system. In the US view, this awareness reflected a significant evolution in the attitude of many contracting parties to outward-looking policies oriented towards trade expansion. The United States subscribed to the comments made by several representatives concerning the improbability of resolving problems through unilateral action, and the need for multilateral action. The differing perceptions of the problems facing the system and of solutions for resolving them reinforced the view that the contracting parties must sit down and negotiate.

The representative of Egypt said that document C/W/470 represented an improvement over its immediate predecessor. His delegation hoped that the Secretariat would continue to take into consideration comments made at these meetings, particularly by developing countries, in its efforts to further improve the documentation. Referring to developments in the period under review, he said there had been an increase in protectionist measures affecting mainly the products of interest to developing countries, particularly textiles; in this respect, Egypt supported the statement by Pakistan on behalf of developing country exporters of textiles and clothing. Document C/W/470 confirmed his delegation's impression that these measures had been intensifying. He drew attention to paragraph 3 which indicated that observance of a standstill in trade-restrictive measures had been at best inadequate, and that there had been only meagre evidence of any rollback of such measures. He said that in the developing world, the economic situation was very sombre and difficult, and that if immediate actions were not taken by the developed countries to fulfill their standstill and rollback commitments, this situation would deteriorate further, greatly endangering the international trading system.

The representative of Colombia said the world trade and economic situation had not improved since the most recent special Council meeting. New protectionist measures had been adopted, and protectionism still seemed to be the predominant trend in some contracting parties. Proof of this could be found in a number of forms such as the proposed US legislation on textiles trade, Colombia's inability to adhere to the Subsidies and Countervailing Measures Code due to the problems that had been raised, and efforts in the US Senate to raise obstacles to coal imports from Colombia. Such protectionist trends did not contribute to solving long-standing balance-of-payments problems. Colombia considered that GATT principles had been seriously eroded by these measures. He noted that his Government, in fulfilment of its GATT obligations, had notified liberalization measures (L/5806) and would notify further such measures. These efforts should be recognized by the main trading partners, and those preaching stability of international markets and greater liberalization should make similar efforts to open their own markets.

The representative of China, speaking as an observer, said that the Secretariat note (C/W/470) was useful and its overview section deserved particular attention. Contrary to what might have been expected from an upturn in the economies of the major trading nations, trade restrictions were being intensified and expanded, market conditions were deteriorating, and uncertainty continued to prevail in international trade. Commitments made under paragraph 7(i) of the Ministerial Declaration had not been implemented and protectionist pressures were on the increase, as, for example, in the Jenkins Bill on US trade in textiles. In this regard, he fully agreed with the statement by Pakistan on behalf of developing country exporters of textiles and clothing. Turning to developments in China, he said that over the past few years, his country had adopted the policy of opening to the outside world, and that foreign trade played an increasingly important rôle in promoting the development of the national economy. China's economic reform process, particularly in its foreign trade system, included measures aimed at expanding and liberalizing trade, of which he gave examples. The present problem was that while China was opening its markets, Chinese products were meeting increasing restrictions and discrimination in the developed countries' markets, particularly in such areas as textiles and other manufactured goods. He said that this kind of problem was faced by many other developing countries. The economic and trade performance of these countries was critical to the development and expansion of world trade, and an increase in market access for their exports was essential. It was hoped that the developed countries would recognize this by making an explicit commitment, and by taking concrete actions, to resist protectionism and to reduce or phase out trade restrictions inconsistent with GATT, in order to create the conditions necessary for the continued growth of international trade and for an atmosphere of mutual trust.

The Director-General referred to the dispute settlement aspect of the special Council meetings and said that his report on the status of work in panels was being circulated to delegations[1]. He recalled the CONTRACTING PARTIES' Decision of 30 November 1984 (L/5718/Rev.1) regarding a roster of non-governmental panelists, and said that a list of such persons would be circulated for consideration by the Council. Regarding comments on a possible expansion of the Secretariat's evaluation of the information in document C/W/470, he underlined that the main objective of the special meetings was to allow the CONTRACTING PARTIES collectively to assess trade policies and the trading system. He suggested that before the next special Council meeting, contracting parties might try to agree on one or two subjects on which their discussion could be focused, as the point of these meetings was not to examine the Secretariat document, but rather to examine developments in trade policy and the impact of paragraph 7(i) of the Ministerial Declaration.

Turning to notification procedures, he said that the important point was the link between the obligation to notify, and the examination of the measures by the notifying country itself. That is, rationalization and streamlining of the notification procedures might enable the national authorities dealing with trade matters to improve their control and follow-up of all elements of their respective trade policies. He quoted from the Study Group's Recommendation 8 which contained a series of suggestions regarding the problem of surveillance and notification, and said that these deserved attention. He saw a clear link between these proposals and an increase in the utility of the special Council meetings. In closing, he said that these views sprang from his own concern to assure a strengthening in the surveillance exercise, as this was one way to improve the CONTRACTING PARTIES' collective capacity to meet problems facing the trading system.

The representative of the European Communities stressed the relationship between trade policies and the economic environment, and said that the indebtedness of many contracting parties should not be ignored; a heavily indebted country could not deal effectively with overall trade policy while struggling to increase its exports in order to service its debt. He said that apart from some attempts by the Director-General, there had been little reaction to the Community's continued calls, at this and previous meetings, for a collective assessment of the state of the trading system; such a suggestion had the size and weight of the Community behind it, and the Community's future behaviour might be influenced by this lack of reaction. There was sometimes a tendency to single out one or another contracting party in these discussions; this was presumably delegations merely venting

[1] Document C/134

their frustrations, especially in the agricultural area, but it lowered the level of the debate. Nonetheless, a reply was necessary. He asked how there could be any doubt as to the will of the Community to negotiate in the field of agriculture, and recalled the progress that had been made in this regard since the 1982 Ministerial meeting, at which the Community had made a formal statement rejecting the concept of negotiations in agriculture. He stressed that the Community now had a "charter" for such negotiations in the form of a Resolution of the European Communities' Council of Ministers of 19 March 1985. Although the Community shared the view expressed by some delegations that it was the major trading partners' responsibility to take the lead in preserving and strengthening the system, such statements would be more credible if these countries also acknowledged their own failures. He noted that the United States' and Canada's statements suggested that they now shared the Community's opinion that the situation, while serious, was not as bad as some contracting parties had indicated.

The Council agreed that the review of developments in the trading system (special meeting on Notification, Consultation, Dispute Settlement and Surveillance) had been conducted.