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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
6 November 1984

MINUTES OF MEETING

Held in the Centre William Rappard on 6 November 1984

Chairman: Mr. F. Jaramillo (Colombia)

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

The Chairman opened the Council meeting with a reference to the death on 31 October 1984 of Mrs. Indira Gandhi, Prime Minister of India. On behalf of the Council, he expressed his most sincere sympathies to the Government and the people of India over her tragic death, which was a great loss not only for India but for the developing world and the international community in general. Representatives then rose, and the Council paid tribute to the memory of the late Mrs. Indira Gandhi by observing one minute of silence.

The Chairman recalled that at their thirty-fifth session in November 1979, the CONTRACTING PARTIES had adopted the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance drawn up in the Multilateral Trade Negotiations (BISD 26S/210). In March 1980, the Council had adopted a proposal (BISD 27S/20) which provided for reviews of developments in the trading system to be conducted by the Council at sessions specially held for that purpose. The Council had held a number of such special meetings during 1980-1983. He recalled that 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 background document entitled "Developments in the Trading System, April-September 1984" (C/W/448 and Corr.1), drawn up by the Secretariat on the basis of notifications made by contracting parties and on other relevant information, and pointed out that this document, unlike its predecessors, included an "overview" section which it was hoped would assist the Council in carrying out a substantive review of developments in the trading system with particular reference to the commitment in paragraph 7(i) of the Ministerial Declaration. The Secretariat had revised the document (covering the previous six-month period) used at the special Council meeting in May 1984 (C/W/437/Rev.1) and this document could serve as a basis of reference for the present review. After the present meeting the Secretariat would issue, in like fashion, a revision of C/W/448 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 C/W/446.

Many representatives expressed appreciation for C/W/448 and said it was a considerable improvement on previous documentation for the special Council meetings.

The representative of Pakistan, speaking on behalf of developing country exporters of textiles and clothing, said that his delegation attached great importance to these special meetings, which served a useful purpose in reviewing recent developments in trade policies and in monitoring commitments under paragraph 7(i) of the 1982 Ministerial Declaration. Turning to developments specifically in the textiles and clothing sectors, he said there had been consistent and increasing contravention of the commitments made under paragraph 7(i). Citing the Textile Surveillance Body's (TSB) recent review of the operation of the Multi-Fibre Arrangement (MFA)[1], he said that restraints under the MFA had been applied almost exclusively to products from developing countries, and that these restraints had become more extensive and in many cases more restrictive under MFA III.[2] Most importing countries had recourse to invocation of "exceptional circumstances" or the need to maintain "minimum viable production". This had had an adverse impact on the exporting countries' production and marketing of textiles and clothing even though the MFA explicitly recognized the developing countries' need for special treatment. The most serious erosion of the objectives and disciplines of the MFA was manifest in the continued application by the United States of additional criteria to textiles and clothing imports. The TSB had determined that many of the more than 120 calls made by the United States were not justified under the terms of the MFA. Recent statistics on US textiles imports underlined the discriminatory aspect of the restraint actions, showing an 88 per cent increase in imports from the developed sources as against a 41 per cent increase for total imports. The United States had implemented additional trade measures designed to harass and restrain legitimate trade, such as countervailing duty petitions and new customs regulation amendments. Referring to the statement by his delegation at the meeting of the Council on 2 October, he emphasized that these measures should be withdrawn and that the United States should enter into plurilateral consultations with the contracting parties concerned, with a view to finding solutions to these problems. The lack of progress in implementing the standstill and roll-back commitments in the Ministerial Declaration had had, and would have, a serious negative impact on textiles and clothing trade, particularly for the developing countries. The credibility of the MFA and of the GATT system as a whole were brought into question. Concrete actions by the developed countries were needed, particularly with regard to implementing the current GATT Work Program relating to textiles and clothing as contained in paragraph 7(viii) of the Ministerial Declaration. He said that unless

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[1] Arrangement Regarding International Trade in Textiles (BISD 21S/3).

[2] 1981 Protocol (BISD 28S/3).

and until all aspects of the Work Program, including textiles, were successfully completed, any initiatives such as a new round of negotiations in the GATT would lack credibility, particularly for developing countries.

The representative of New Zealand said his delegation supported the Secretariat's initiative in drawing on non-official as well as official sources to compile C/W/448. Unlike regular Council meetings, the special meetings afforded an opportunity to take an "overview" of the whole spectrum of trade policies and to seek a broader focus on events. He agreed with the recent GATT press release (GATT/1363) related to the report on International Trade 1983/84, which drew attention to the need to address trade issues in the context of the multilateral system rather than attempting to deal with them seriatim and on an ad hoc basis. There was a need for the expression of general views and for suggested approaches to the wider questions of policy; his delegation considered that the Secretariat comments in C/W/448 struck the right note. In his view, the best way to resist protectionist moves was to push ahead with the Work Program, despite the known and perceived difficulties. In this regard, he commended the Director-General and the Secretariat for their suggestions as to policy approaches. The proliferation of trade restricting and distorting measures cast doubt on governments' commitments to resist protectionism and to liberalize trade, and threatened to undermine the rule of law in the international trading system based on the m.f.n. principle. The report in C/W/448 seemed to indicate that there was at present no clear sense of direction, and that it was necessary to identify priority trade issues and to bring the process of trade liberalization up to date. The Work Program provided a basis for this exercise. Referring to agricultural trade, he quoted the US Secretary of Agriculture to the effect that GATT rules for agricultural trade should be similar to those for industrial trade. The Committee on Trade in Agriculture needed to evolve into a negotiating phase which would provide for liberalization of agricultural trade, involving a gradual improvement in access, the reduction of structural surpluses and the phasing out of wasteful subsidies. Subsidies on both production and exports raised fundamental questions concerning the efficient allocation of limited resources. He outlined some of the negative effects of subsidies and said that unless there was collective action to curb and reduce them, the smaller players in the world trade field would be driven to the wall, despite their comparative advantage in production and trade in many cases. Referring to the so-called grey area measures, he said that one of the most pressing problems was how to bring these within GATT's discipline. A comprehensive understanding on a multilateral level was required. Regarding new GATT issues such as trade in services, counterfeit goods and high technology, the GATT should not turn its back on them, but neither should consideration of these items be at the expense of efforts to make real progress on those issues which had defied resolution for thirty years.

The representative of the European Communities said his delegation attached the greatest importance to the special Council meetings. In commenting on the present economic environment, he quoted from the European Commission's Annual Report 1984-85, which described the context of uncertainty in which trade policy decisions must be taken. World trade and international capital markets would be affected by US measures to correct its growing trade deficit. Although sustained growth in world trade could be expected, the adjustment process in the United States could create a difficult situation in the short term. His message to the Council, and the conclusion drawn by his authorities, was that Europe and Japan should be prepared to support the dynamism of world trade by increasing domestic demand, in the face of a possibly drastic reduction in US economic activity in the future. When the Ministerial Declaration was adopted in 1982, it had anticipated that protectionist pressures would decrease as a result of economic recovery. In fact, such pressures had multiplied, increasing the problems of those responsible for trade policy. He considered C/W/448 and its corrigendum to be a useful basis for discussion. He stressed that the "non-events" included in the Secretariat's overview - that is, governments' successful efforts to resist protectionist pressures - were important to note and appreciate, if difficult to quantify. These efforts were particularly significant in the United States, given the importance of its market to world trade and the transparency of its system; but many governments had made such efforts. Nonetheless, they had important symbolic value in reversing trends. An example was the measures taken as part of the advanced implementation of the Tokyo Round tariff cuts, given the background of protectionist pressures against which these decisions were taken; this should be noted in any collective assessment of the situation. The main point was to determine the trends indicated by the analysis of events and "non-events", since the GATT was not a tribunal where facts were merely examined and judgment passed. Referring to the alleged proliferation of restrictive measures, he asked if this had been specifically assessed or measured, and doubted whether this proliferation was as great as the document implied. He wondered whether it really undermined or jeopardized the trading system. In his delegation's view, the system was still holding firmly together. He felt that inclusion of barter or countertrade in the report was important, as this gave a fuller picture of trade developments; countertrade had its impact just as did "grey-area" measures. He noted that Ministers were now meeting frequently on an informal basis to reinforce mutually their campaigns against protectionism. The results of this were difficult to quantify. He felt in conclusion that there was little articulated recognition of the merits of the system, and too great a tendency to complain. The GATT had shown its vitality and this should be recognized.

The representative of Japan said that moves toward the shrinkage of trade, marked by an increase in protectionist pressures in the developed countries and a strengthening of import restrictions in the developing countries, as well as the trend toward bilateralism, were sources of concern to his country. Referring to the recent US Trade and Tariff

Act, he said that there were positive elements, but the Act as a whole presented problems with regard to the promotion of the multilateral trading system and the rollback of protectionism. Turning to the European Communities' recently enacted Council regulation (No. 2641/84) concerning unfair commercial practices, he said his Government had approached the Community authorities to ensure that this regulation did not operate in a protectionist way. He pointed out that Japan had been unilaterally opening up its own market to imports, but that such efforts were starting to meet domestic difficulties. There should be co-operative action among the contracting parties in this regard and not just individual efforts. Paragraph 7 of the Ministerial Declaration spelt out the priorities for the 1980s, but in order to realize a large-scale liberalization of trade, it was essential to have negotiations among the contracting parties. In this regard, he welcomed the recent statement by the Joint Bank/Fund Development Committee which had noted progress in the implementation of the GATT Work Program and the rôle that could be played by a new GATT round of multilateral trade negotiations in which all countries - developed and developing alike - could participate and from which all could benefit.

The representative of Yugoslavia said that any general assessment of developments in the trading system should take account of the fact that trade flows today were to a great extent determined by protectionist measures, by bilateral arrangements, by over- and under-valued currencies and by high interest rates. His country was concerned about the provisions of the new US Trade and Tariff Act as well as the new EEC procedure to combat unfair trading practices of third countries, and felt that the GATT should examine the possible effects of these measures on international trade. He said that the economic recovery had had a very limited, if not negligible, impact on exports from developing countries, notably from those facing balance-of-payments difficulties. This was due to increasingly restrictive trade policy measures of the industrialized countries in sectors such as textiles, agriculture, raw materials and steel. Liberalization measures in the field of tariff rates and under the Generalized System of Preferences (GSP) were a positive contribution towards increased exports from developing countries, and the extension of these schemes had had a stabilizing effect on production and export activities of developing countries. However, the advanced application of the Tokyo Round tariff reductions, as announced by some developed countries, would considerably erode the preferential tariff margin of developing countries. He asked that the information on GSP modifications included in C/W/448 be more complete to allow for proper assessment of these measures on developing countries' trade.

The representative of Canada said that C/W/448 confirmed his delegation's impression that protectionist measures had been increasing. He quoted from the recent address convening the new Canadian Parliament which had emphasized the need for a renewed multilateral effort to remove non-tariff barriers to trade. He said that the overview in the

Secretariat Note highlighted four points which deserved comment and reflection. The first point was that new or intensified non-tariff measures outweighed the few liberalizing actions taken. Canada recognized that there had been some important successes in resisting protectionist measures as listed in C/W/448 and noted the earlier statement by the representative of the European Communities on this point; but in fact, the global losses outweighed the gains. The second point was the trend to bilateralism. In the current trade situation many countries, including Canada, were feeling domestic pressures to move bilaterally. While bilateralism might not be an adequate substitute for multilateralism, it could be perceived as the preferred choice. The third point was the troubled and uneven economic climate, in which economic growth had probably peaked and deceleration was imminent. The fourth point was the increasing counter pressures against protectionist actions. This was a manifestation of the essential balance that underlied the GATT, but the best such counter pressure was a strengthening of the multilateral trading system. This would require collective action. The Ministerial Work Program was the litmus test. The contracting parties should build on this program in all its aspects in order to prevent protectionism from further eroding economic well-being.

The representative of Egypt said that the two basic pillars of the present special meeting were the review of developments in the trading system covered by paragraphs 2 and 24 of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance, and the monitoring of paragraph 7(i) of the 1982 Ministerial Declaration. He did not feel that the Secretariat review in C/W/448 had followed the right objective in that it seemed to focus on measures affecting the trade of the developed countries, while paragraph 24 of the Understanding called for particular attention to matters affecting the interests of the developing countries. The reference in C/W/448 to paragraph 7(i) did not cover that paragraph of the Ministerial Declaration in its entirety; this was perhaps responsible for the imbalance in the document. For the next special Council meeting, he hoped to see a chapter on developments affecting developing countries. He supported the statement made by the representative of Pakistan on behalf of developing country exporters of textiles and clothing and said that the facts indicated that the commitment in paragraph 7(i) had had little impact.

The representative of Brazil said that for the purposes of the present meeting it was of great use that C/W/448 covered both notified and non-notified measures. He pointed out that the tone of recent Brazilian measures was one of considerable liberalization. There had no doubt been an increase in restrictive trade measures by a number of countries, and some of these had contravened GATT rules. He supported the suggestion made by the representative of Egypt that the review exercise should be oriented towards more precise identification of measures which disregarded the commitment in paragraph 7(i). It would

be instructive to know how much trade among contracting parties was carried out within GATT rules and how much was outside or against them. He disagreed that the system was holding, and said that action should be taken before the system was endangered. If the trends which emerged from an analysis of C/W/448 were not reversed, the system would be further eroded and might eventually disappear. It was his delegation's view that the proper approach was not to move into new areas and issues, but to be more strict in the application of existing disciplines, and to implement fully the Work Program, which provided a complete framework for all the negotiations required to re-establish the GATT as the basis of the trading system.

The representative of Australia said that C/W/448 presented a very sombre picture. There had been a few positive developments, but his delegation saw much evidence of increased protectionist pressure. In many cases, the situation was merely moving from "extremely bad" to just "very bad" with regard to the adverse impact of various trade measures, and he did not agree that the system was holding together. According to one estimate, between 55 and 60 per cent of world trade was subject to non-tariff restrictions; one third of Australia's exports to the United States were affected by such measures. Grey area measures had increased. Another ominous element was the acknowledged existence of industry-to-industry arrangements, which appeared to be beyond effective restraint. In his delegation's view, one of the most disturbing developments was the increasing degree to which major contracting parties were taking actions in direct contravention of their multilateral obligations. His delegation was of the opinion that certain aspects of the recently passed US Trade and Tariff Act were contrary to the GATT, as were the Japanese measures on imports of leather. His Government was extremely concerned by the Community action permitting sales of butter and butter-oil at prices below the IDA[1] minimums. This action had triggered a crisis in the IDA and had not only undermined the international butter/butter-oil market but also risked destabilizing the entire dairy market. His Government welcomed the EC decision to defer implementation of the regulation and hoped that the trilateral discussions in Brussels between the Community, New Zealand and Australia and the subsequent IDA meeting would be responsive to the concerns expressed by other IDA participants. It was particularly disturbing that the rise in protectionism had continued during the recent period of economic recovery. There were ominous signs in the agricultural sector where two years of delicate and in many ways productive discussions were poised on the verge of total failure. He endorsed the remarks of the representative of New Zealand in respect of the work that the Committee on Trade in Agriculture had before it. The major trading powers had a special responsibility to take concrete action to reverse dangerous trends. These countries often dominated the debate on trade issues in GATT, and this had caused a loss of confidence

[1] International Dairy Arrangement (BISD 26S/91)

on the part of smaller contracting parties, both developed and developing, in the ability of GATT to improve the trading system. Increasingly, the smaller countries found themselves to be spectators. It was, therefore, not surprising that they were sceptical and unresponsive to calls to embrace new areas for examination when existing problems were not being sufficiently addressed, and that they had little enthusiasm for proposals for a new round of multilateral trade negotiations. A new approach was needed, such as the "re-energization" of the very basis of the GATT and the world trading system, i.e., a re-affirmation of non-discrimination as the basis of negotiations and a genuine attempt at trade liberalization. The m.f.n. principle, it had been pointed out, had the inherent dynamic to make the system work, even if only a few major countries pledged themselves unconditionally to it. If the major industrial powers assumed a leadership rôle, this would be an important signal to many smaller contracting parties, and would encourage them to consider the possible benefits of a new round of negotiations.

The representative of Korea drew attention to some factual elements in C/W/448 and Corr.1 which his delegation intended to clarify with the Secretariat. He stressed that the emergency tariff and adjustment duty measures recently taken by his Government were of a temporary nature and were applied on a limited basis, and that Korea would continue to pursue its import liberalization program. His delegation endorsed the statement by Pakistan on behalf of developing country exporters of textiles and clothing.

The representative of Jamaica drew attention to C/W/446 and said that improved notification procedures could lead to improved discussions on substance at the special meetings of the Council and, as a result, to greater transparency. He noted that paragraph 19 of the document raised the familiar question of the consistency of the MTN Agreements and Arrangements with the General Agreement, and said that they would have to be included in the Council's reviews if the exercise was to be meaningful. He referred to a speech by the Director-General on 18 June 1984 in Stockholm in which he had said that bilateralism had arisen out of non-observance of the principles of GATT, i.e., most-favoured-nation treatment and non-discrimination; a distinction had also been made between trade policies and trade measures. Referring to the call made by some representatives for a new round of multilateral trade negotiations, he said the representative of Australia had made some important points concerning the unfinished tasks agreed at the end of the Tokyo Round and the justified concerns of the developing countries; his delegation was in favour of a new round, provided proper preparation and attention were paid to those concerns and to the unfinished Work Program items. He referred to the impact of fluctuating exchange rates on the trade system, and said these had given rise to protective measures. In conclusion, he said that contracting parties could not be complacent, and that consultations would be needed to improve further the Council's review procedures.

The representative of Finland, speaking on behalf of the Nordic countries, said the "overview" section was a valuable addition to the Secretariat Note in C/W/448. He agreed that liberalizing actions were outweighed by an increase in non-tariff measures, but stressed the importance of the acceleration of the Tokyo Round tariff cuts by a number of countries, among them the Nordic countries. These cuts helped to build confidence in the trading system; he encouraged those industrial countries who had not yet taken such steps to do so. He agreed with the view that in spite of a few encouraging signs, there had been no real rollback of protectionism and no evidence of significant dismantling of trade restrictions. The Council's special meetings had an important rôle in encouraging the implementation of paragraph 7(i); the Nordic countries had made suggestions as to how they could be improved. He said that C/W/446 contained interesting ideas on how the notification system could be improved, and felt that informal discussions should be held on this matter.

The representative of Norway drew attention to some factual elements in C/W/448 and Corr.1 which his delegation intended to clarify with the Secretariat, and announced that his Government had initiated procedures to implement all the remaining Tokyo Round tariff cuts as from 1 January 1985. In spite of the resulting erosion of some developing countries' tariff preferences, mentioned by the representative of Yugoslavia, there were good arguments that such general liberalization measures were beneficial to the whole trading community and were a concrete contribution to the confidence-building process referred to by the representative of Finland.

The representative of Uruguay welcomed and encouraged the analysis and interpretation by the Secretariat in C/W/448. He asked what the prospects of a new negotiating round were, given the limited amount of progress that had been made on the existing Work Program. Referring to the balance-of-payments problems of developing countries, many of which carried heavy debt burdens, he said it was absolutely necessary that markets be opened to these countries. Perhaps the Secretariat should prepare a substantive study on the amount of world trade covered by GATT rules, the amount taking place outside GATT rules, and the amount not taking place at all due to restrictive measures. The common objective must be the full reaffirmation and implementation of fundamental GATT principles.

The representative of Spain referred to his delegation's statement at the special Council meeting on 15 May 1984 suggesting ways in which the documentation for these meetings might be improved. As C/W/448 showed, the economic expansion in the United States had not been fully reflected in Europe or elsewhere. He referred to the uncertainty caused by fluctuating exchange rates and the negative effects which these fluctuations sometimes had on Spanish manufacturers and exporters. It was necessary to improve the functioning of the entire international economic system, since trade policy alone would not be sufficient to correct the problems in the world trading system.

The representative of Bangladesh underlined that while certain liberalization had taken place in some important markets, it had been far outweighed by an upsurge of protectionist measures in the form of non-tariff restrictions and bilateralism. A major shift in the policies of developed countries was necessary in order to reverse this trend and to help developing countries to recover from their deepening economic crisis. Turning to the special problems of the least-developed countries, he drew attention to paragraph 3 of the Annex to the 1982 Ministerial Declaration and to some aspects of its implementation. In his view, C/W/437/Rev.1 and C/W/448 did not adequately reflect measures taken in this regard. Similar background documents should do so in the future.

The representative of New Zealand shared the grave concern expressed by the representative of Australia at the stated intention of the European Economic Community to sell butter at a subsidized price substantially below the minimum price established by the IDA. The Community had acknowledged that this action was a breach of its international obligations. Informal consultations were being held on this matter; and it was hoped that a satisfactory solution could be found. He reiterated requests made in other fora that these regulations be rescinded.

The representative of Austria supported the statement by the representative of Finland on behalf of the Nordic countries. He reported that his Government would implement the sixth and seventh stages of the Tokyo Round tariff reductions by 1 January 1985, thus advancing the seventh stage by one year. Regarding C/W/446, paragraph 7, it was his delegation's view that routine notifications every three months would create an unnecessary administrative burden and that non-notified information should be cleared with the country in question prior to publication by the Secretariat.

The representative of Hungary said that, as evidenced by C/W/448 and Corr.1, little had been done to honour the commitment to resist protectionist pressures and to refrain from taking measures inconsistent with GATT rules. Progress in the area of standstill and rollback was threatened by the tendency to apply a double standard in examining the trade policies of the large and small contracting parties.

The representative of India agreed with the statement of the representative of Egypt regarding the need for a more balanced focus on developments affecting developed and developing countries and the need to stress the latter part of paragraph 7(i) of the 1982 Ministerial Declaration. He shared the view expressed by the representative of Australia regarding the position of the smaller trading partners, and agreed with his analysis of the problems affecting the trading system. The information in C/W/448 was not encouraging. Any new initiatives undertaken should be geared towards solving existing problems and not towards taking on new problems. This point had been made by the developing countries in L/5647 six months earlier. In spite of economic difficulties, the smaller trading partners had maintained a trend towards trade liberalization, and this was reflected in the figures.

The representative of the United States noted that there had been growth in world trade, the bulk of it involving imports to his country. In fact, the US trade deficit with non-oil-exporting developing countries had quadrupled since 1982. He cited several positive developments in the United States, including the refusal of a number of requests for protection and the extension of the GSP scheme for an additional eight and a half years. In spite of outward signs of improvement, however, difficult problems remained, and as long as the United States had such substantial trade deficits, pressures for protectionism and for bilateralism would continue. His delegation would nevertheless continue to work for multilateral solutions. Regarding the GATT's moving into new issues, he pointed out that the United States had not blocked progress on the old issues, and endorsed the view that multilateral negotiations were the best way to reduce the pressures for bilateralism and to move the system forward.

The representative of Argentina endorsed the statement by the representative of India. He drew attention to the clarification in C/W/448/Corr.1 regarding countertrade. As to practices under the MTN Agreements and Arrangements, he said that many of the actions taken under them were protectionist. He also referred to the recent EEC regulation cited earlier in the discussion, which seemed to indicate that the Community did not consider the General Agreement and the MTN Agreements and Arrangements to be sufficient protection for its trade interests. If this were true for the Community, how much more acute would this problem be for the smaller trading nations. The EEC regulation seemed to suggest that the GATT provisions for dispute settlement and negotiations served no purpose; it constituted an attempt to legalize bilateral retaliatory action. He pointed out that there was no reference in the regulation to "normal value"; the only point of reference was the Community price. Argentina had serious doubts as to the consistency of this regulation with the General Agreement.

The representative of the European Communities said he recognized the concerns expressed by the representatives of Australia and New Zealand, and noted that the Community had not recognized that it was in breach of its obligations. The matter of butter and milk fats was being taken up in the proper fora, and a report might be made to the Council in due time, not because those fora were subordinate to the Council but as a matter of general policy. Referring to the Community regulation cited by the representative of Argentina and others, he clarified the objective of this regulation which pertained to internal, domestic procedures. Furthermore, the regulation clearly stated that any action or procedure undertaken under the regulation must be in conformity with the Community's international obligations, including the General Agreement and the MTN Agreements and Arrangements. He explained that this regulation would provide for more flexibility in fighting against protectionism, and indicated his delegation's willingness to provide further clarification in informal consultations.

The representative of Singapore asked the Secretariat to provide the contracting parties, especially the developing countries with small delegations, with a better analysis of developments in trade during the period under review, and the conformity of trade actions and policies with the commitment undertaken in paragraph 7(i) of the Ministerial Declaration. While it was true that economic recovery, especially in the United States, had been beneficial to Singapore, this recovery had brought with it problems of protectionist pressures, to which some governments had succumbed. A more serious development, and one not noted in C/W/448, was the increasing frustration among individual countries with the multilateral system, marked by a decrease in their willingness to consult within the multilateral framework of the GATT.

The Director-General shared the view expressed by some delegations that C/W/448 was a means to help the CONTRACTING PARTIES to assess the functioning of the trading system. Further improvements in the documentation for the special meetings of the Council would necessarily be a joint effort on the part of the Secretariat and the contracting parties, with the clear objective of achieving greater transparency. The proposals in C/W/446 were aimed at rationalizing the notifications already required and at improving their content; there was no intention to add any new burdens on the contracting parties. Regarding the suggestions made by various delegations that C/W/448 lacked a balance of focus on developed and developing country interests, he pointed out that all contracting parties were part of the same system and all were affected by its successes and failures. With regard to an assessment by the Secretariat of the GATT legality or illegality of trade measures, this was clearly the responsibility of the CONTRACTING PARTIES. The open discussion which had transpired in the present special Council meeting was precisely what was needed, and it was important that it had taken place formally within GATT.

He noted that representatives' views differed as to the current situation - some saw the glass half empty and others half full. In any case, trends had been identified which sounded an alarm signal, and he appealed to all contracting parties to use the instruments at their disposal - the General Agreement and the Work Program - to try to correct these trends. Amidst the monetary, fiscal and budgetary uncertainties of the present economic climate, the contracting parties could and must introduce elements of certainty and predictability by putting into action their commitment to the GATT principles of most-favoured-nation treatment and non-discrimination in international trade.

The representative of Jamaica agreed that there had been a substantive and important discussion in the present special meeting and suggested that the next such meeting be convened earlier in 1985 rather than waiting another six months.

The representative of the Philippines asked how practical use could be made of the very valid points raised during the discussion. In his view, it would be helpful if an assessment of the situation by the Chairman or the Director-General were presented to the CONTRACTING PARTIES at the fortieth session.

The Chairman said that he wished to join representatives in congratulating the Secretariat on the excellent quality of the documentation prepared for the present special meeting, which had made possible for the first time a genuine substantive examination of the evolution of international trade. While both optimistic and pessimistic views had been expressed, the general feeling seemed to be that despite the difficulties which it faced, the house of GATT remained firmly attached to its foundations. Nevertheless, there were very clear indications that certain activities were taking place outside it, which were not in conformity with the house-rules. The principal conclusion to be drawn from this was that all the GATT rules had to be respected by all the contracting parties if the system were to remain intact. The second necessary element for maintaining the integrity of GATT was to carry out the Work Program that Ministers had laid down in November 1982. He noted that references had been made to successful efforts to resist protectionist pressures which all governments faced. On the other hand, it had been said that the economic situation had worsened since 1982. In either event, he concluded that there was room for improvement, on the part of all concerned, in resisting protectionism; failing this, there was the danger that the house might tumble - on all its inhabitants. Various views had been expressed as to future work, and in particular whether there should be a new round of negotiations. He considered that it was too early to venture an opinion on this. Additional light would be shed on the question after the Council had examined the Work Program point by point at its regular meeting, which would immediately follow the present special meeting. As for the suggestion that the next special meeting might be held earlier in 1985, this could be decided in the normal fashion through consultations between the Chairman and delegations and in the light of further developments. Referring to the question as to what practical use could be made of the discussions at the present meeting, and whether an assessment of the situation should be forwarded to the CONTRACTING PARTIES, he considered that the Council's consideration of the Work Program at its regular meeting would give it a better idea of how to proceed and of what might be most useful at the fortieth session.

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