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# GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
3 November

MINUTES OF MEETING

Held in the Centre William Rappard on 3 November

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

Subject discussed: Preparations for the Ministerial meeting
- Report of the Preparatory Committee (L/5395, PREP.COM/R/10)

The Chairman recalled that the Chairman of the Preparatory Committee had made a number of reports to the Council from time to time regarding the progress of the work of that Committee. The Council now had before it document L/5395, constituting the final report of the Preparatory Committee, and document PREP/COM/R/10, a detailed record of the last two meetings of the Preparatory Committee held on 20 and 22 October 1982. Furthermore, the Committee on Trade and Development had asked that its report to the CONTRACTING PARTIES (L/5401) be made available to the members of the Council in connection with their consideration of the report of the Preparatory Committee. The two documents presented by the Preparatory Committee were the final results of the efforts made in that Committee. In terms of the mandate given to it by the CONTRACTING PARTIES, it was now the responsibility of the Council to put the Ministerial document in suitable shape so as to provide the basis for decisions by the Ministers.

In presenting the report of Preparatory Committee (L/5395), Ambassador McPhail (Canada), Chairman of the Preparatory Committee, observed that the Council had commissioned the Preparatory Committee to make proposals on the agenda and documentation for the Ministerial meeting, as well as other pertinent matters in connection with that meeting. The report of the Committee (L/5395) covered all three points. The Committee recommended that the Ministers should address themselves to a single agenda item, based on the text of decision of the CONTRACTING PARTIES of 25 November 1981, entitled "the functioning of the multilateral trading system, and also determine future priorities for co-operation among contracting parties in the 1980s." Annex A to the report of the Preparatory Committee (L/5395) comprised a draft Ministerial text reflecting the state of discussions as of 20 October 1982. Comments and observations made in the last two meetings of the Preparatory Committee were contained in the document PREP/COM/R/10, which might be taken into account in the consideration of the draft text. The many square brackets contained in the draft text brought into sharp relief important differences from

policy perspectives that continued to exist on certain issues. As such the document should provide the necessary focus for the exercise of political judgement, responsibility and will. He further observed that the state of preparations on substantive issues had not permitted the Preparatory Committee to attempt to edit or refine the document to give it final shape. He expressed the hope that the Council would be able to press on with the task of preparing a clean text, free of alternatives, and suitable for consideration by the Ministers. He also referred to the recommendations made by the Preparatory Committee in regard to certain administrative and managerial questions.

He informed the Council that the Hon. Allan MacEachen, Deputy Prime Minister and Secretary of State for External Affairs of Canada, would represent Canada at the Ministerial meeting and chair it, with the assistance of the Chairman of the CONTRACTING PARTIES. The Hon. Gerald Reagan, Minister of State for International Trade, would be the Canadian spokesman at the meeting.

The representative of Brazil observed that the CONTRACTING PARTIES' decision of 25 November 1981 to hold this year's session of the CONTRACTING PARTIES at ministerial level provided a clear legal framework for the meeting, its areas of competence, its rules and procedures, and the scope of its objectives. In short, the limits of its authority were defined by the General Agreement itself. If the preparatory work for the meeting was at all to be completed within the short-time now available, it was necessary to bring to bear on this work a sense of priority and proportion, and a measure of what was reasonable and legitimate to expect from this Ministerial meeting. It was no longer the time to insist on overloading the Ministerial meeting with matters of narrow interest which did not respond to universal needs and aspirations, or with problems of comparatively little relevance, or yet with unreasonable propositions unrelated to the immediacy of the present crisis. He believed that the Ministerial meeting should, above all, signal a collective commitment to the continuing validity of GATT as the centrepiece of the multilateral trading system, and a collective statement of belief in liberalization as the surest way to a balanced growth of world trade. This necessarily implied a rejection of bilateralism, and of its modalities, from the worn-out voluntary export restraints and orderly market arrangements to the more recent "bilateral undertakings" which had been mushrooming in the shadow of the new subsidies and anti-dumping codes. The Ministerial meeting should constitute a deterrent to those espousing the theory, or the practice, of "managed trade", and a clear affirmation that the Rule of Law existed and would impose itself in international trade.

He further observed that no Ministerial declaration could be taken seriously if it were encumbered by decisions to undertake as many as twenty-three studies. He drew attention to the declared opposition of a very large number of countries at ministerial level recently at New York to some of these proposals. He emphasised that a text for the Ministerial meeting could only be adopted on the basis of consensus. The Council must, therefore, concentrate on five or six leading issues where the current problems of the GATT system were to be found, namely protectionism, agriculture, developing countries, textiles, dispute settlement and safeguards.

The representative of the European Committees observed that he considered the document resulting from the preparatory work to be discouraging as a whole. The political declaration in the Ministerial text was not political in tone at all. The diagnosis was confused and not clear, and remedies had not been identified clearly. He felt that the unique opportunity presented by the Ministerial meeting should not be lost and should be utilized to confirm faith in the multilateral trading system, even though the system was weakened by a certain lack of balance in the application of its obligations.

The representative of Argentina observed that the draft Ministerial text constituted a package which had to be examined in relation to the terms of reference of the Ministerial meeting. He was of the view that the proposals for studies did not require fundamental political decisions and could be handled in the course of the normal work of GATT. He shared the view expressed by Brazil that the text of the Ministerial document would need to be adopted by consensus. He felt that a consensus would require convergence of views of a strong majority of the contracting parties, and not necessarily unanimity. Individual delegations would in any case be free to express their views in regard to any additional matters after the consensus was reached. He felt that the principle of consensus should enable the adoption of a strong text for the Ministerial declaration. Such a declaration should underscore the future rôle of the GATT in the orientation of international trade and in helping countries to come out of the present deep economic crisis.

The representative of Yugoslavia observed that the draft text prepared by the Preparatory Committee was disappointing for those who had hoped that the Ministerial meeting would chart the way out of the crisis which prevailed in world trade. It was imperative for the solution of these problems that the Ministers should make clear and resolute political commitments. They felt that sufficient political will had yet to be generated to overcome the dominant separate interests that were the principal causes of the weakening of the concept of multilateralism and of the rôle of GATT in international trade relations. The interests of

developing countries had not been adequately dealt with in the draft Ministerial declaration. They were being asked to assume additional obligations that were directly in conflict with their economic development. Concepts such as "more adequate balance of rights and obligations", selectivity, and graduation were contrary to the fundamental principles of Part IV and would not be conducive to a successful outcome of the Ministerial meeting. The political declaration was weak in content; and the proposed political commitments were too generalized. Acceptance of these would imply that governments had reconciled themselves to a permanent erosion of multilateralism and of the rôle of GATT. It was indispensable for the future of GATT and of international trade relations that the trends towards further sectoralization of the GATT system and the practice of applying measures outside the GATT system be reversed.

The representative of Turkey considered that the delegations responsible for various brackets in the draft text should be asked to indicate their ultimate intentions. He observed that it must be kept in mind that the credibility of the GATT and multilateralism in international trade were at stake in this meeting.

The representative of India said that the Ministerial meeting was considered by his authorities an occasion to address and to find solutions to the issues outstanding from the Tokyo Round and some of the major problems of the multilateral trading system. They were disappointed that some of the issues of prime importance, such as safeguards and issues pertaining to developing countries, had not so far received the kind of attention and accommodation that they merited. They continued to be attached to the priorities determined by the CONTRACTING PARTIES in the work programme adopted at their Session in 1979.

The representative of Pakistan believed that a basic core of consensus shared by a very large number of countries already existed which could be broadened further. This consisted of the need for a strong political commitment to strengthening GATT by ensuring observance of GATT rules, procedures and disciplines, and by acceptance of a voluntary restraint by contracting parties to avoid the accentuation of protective policies. Unless this was done, the GATT would disintegrate under the cumulative pressure of both the traditional as well as the contemporary problems. It was imperative that attention be focused on a few fundamental issues such as dispute settlement, agriculture, textiles and the need to restore the rights of the developing countries. The Ministerial meeting should not be encumbered with problems which were extraneous to GATT or not central to it.

The representative of Colombia considered that the declaration by Ministers should be politically as substantial as possible. The document should be condensed so that Ministers could concentrate their efforts on the fundamental issues confronting the multilateral trade system, such as

safeguards, problems of developing countries, agriculture, dispute settlement and textiles. Unless this were done the GATT system and the organization itself would lose much of its present credibility. The problem of a large number of studies in Part III would have to be solved one way or the other. However, proposals which were not within the competence of GATT must be dropped in any case. The GATT must solve its present problems before it could embark on accepting new responsibilities.

The representative of Bulgaria, speaking as an Observer, said that his delegation had seen the Ministerial meeting an an opportunity to reaffirm the faith of contracting parties in the multilateral trading system in the face of present tendencies of protectionism and increased disregard for GATT disciplines. However, the document which emerged from the work of the Preparatory Committee did not reflect a unified approach to current trade problems. His delegation was particularly concerned that no agreement had been reached on crucial subjects such as agriculture, dispute settlement, safeguards and non-tariff measures. Lack of final agreement on these items would have an impact on the future work of the GATT, and on the attitude of observers who had to decide on their future relations with the GATT. As an active participant in the MTN, Bulgaria had seen the Ministerial meeting as a unique opportunity to take action to overcome the difficulties of accession to MTN Agreements by interested governments and to ensure their equal participation in the MTN results irrespective of their GATT status.

The representative of the Philippines, speaking on behalf of ASEAN, viewed the document of the Preparatory Committee as a breakthrough in the preparatory process which would assist the Council in finalizing the draft Ministerial Declaration. He regretted, however, that the end product would not be ready for the ASEAN Ministerial meeting which would take place on 8 November. The contracting parties had a collective responsibility to ensure that the Ministerial meeting could achieve the objectives set out in the Decision of the CONTRACTING PARTIES of 25 November 1981. For the meeting to be successful it must give a clear political signal to reverse protectionist trends, reaffirm the validity of the rules of the GATT, strengthen the will of governments to abide by them and to ensure meaningful application of special and differential treatment for developing countries.

The representative of Chile said the Preparatory Committee report showed wide gaps in the diagnosis of major trade problems; and much political will would be needed to find ways of solving these problems. In particular, there was still much to be done in the areas of agriculture, quantitative restrictions and other non-tariff measures. There was a need to stress greater trade liberalization and to face the problem of grey-area measures. He agreed with previous speakers that one should strive to reach a consensus, but this did not mean that a minimum solution would be acceptable. On the contrary, an effort should be made to overcome the present problems and look to the long term. The work programme should reflect the implementation of the true political commitments.

The representative of Peru said his delegation was disappointed at the outcome of the work of the Preparatory Committee and concerned at the wide divergencies of views that remained on many parts of the text. The absence of consensus was evident from the document. This made him sceptical about the possibility of reaching satisfactory results. Contracting parties should be conscious of their collective responsibility to prevent the Ministerial meeting from being a failure.

The representative of Nigeria said one way to improve the draft Ministerial document would be to apply the two principles that only topics relevant to the GATT and that relect the interests of the majority of contracting parties should be included. Applying these principles would help reduce the number of items in the document, particularly those for which other international bodies were competent. This would also be a way to reduce frictions among delegations.

The representative of Iceland said his delegation was not among those who had felt the need for a Ministerial meeting, because this in their view could at best confirm the contracting parties' agreement with the established goals of the GATT. The work done so far had confirmed that view in this respect. In the light of this, it was still an open question whether the presence of an Icelandic minister would be called for at the meeting. The main interests of his delegation were in safeguards, dispute settlement and fisheries. They had no particular difficulties in the areas of agriculture and textiles but recognized other delegations' interests in these issues. However, in view of the divergencies of views on these questions, it was difficult to see how any headway could be made.

The representative of Norway agreed with the representative of Brazil that it was necessary to concentrate on the main issues reflecting the global aspirations and a collective commitment to the multilateral trading system and to resist bilateralism. However, he wished to caution that if the notion of consensus were carried to the extreme it would be difficult to arrive at an agreed text. There was a need for the exercise of restraint both on the part of those countries that wanted certain items included which did not reflect global aspirations and of those countries that did not want the inclusion of certain items of major concern to some countries or groups of countries. He therefore hoped that delegations would show flexibility and realism regarding the items to be put on the Ministerial agenda. As the representative of a small country, he also expressed the hope that the last phase of preparations would be conducted with the utmost transparency so as to ensure that the Ministerial document would reflect the main concerns of all contracting parties.

The representative of Hungary said that for his delegation there was only one way to solve the current trade problems, and that was the effective application of the multilateral system based on rules and not on the use of economic power. He hoped that the final document would reflect the views of all contracting parties, large and small.

The representative of Korea said the work of the Preparatory Committee had permitted the identification of the crucial issues and this was a welcome development. These issues were: safeguards, protectionism, application of GATT rules to developing countries, textiles, agriculture and dispute settlement. He hoped that the Ministerial meeting would fully address these issues which fell in the purview of the GATT.

The representative of Cuba said that the main issues that needed to be settled were safeguards, agriculture, dispute settlement and the application of GATT rules to developing countries. All efforts should be concentrated on these priority issues which fell within the competence of the GATT.

The observer from Kenya said that his delegation was disappointed that so many divergencies of views existed and was pessimistic about the outcome of further work. He supported the suggestion of the representative of Turkey that one way to achieve progress would be to ask the proponents of square brackets in the present draft text about their intentions.

The representative of Egypt also said it was necessary to focus on a few main subjects which were of interest to all contracting parties. This was also stressed by the representative of Senegal who identified the items of protectionism, safeguards, agriculture, participation of developing countries in world trade, and textiles as those requiring priority attention. Subjects on which there was no consensus might be dealt with in normal GATT fora. He also said more emphasis should be placed on special and differential treatment for developing countries. For the representative of Zaire, the items to concentrate on were protectionism, safeguards, agriculture, metals and minerals and the trade of developing countries. The representative of Romania said the main emphasis should be put on the politcal declaration; the work programme should focus on the trade of developing countries, agriculture, safeguards, dispute settlement and textiles. He agreed with previous statements that the document should be approved by consensus.

The representative of Spain said that there was a need to be realistic and not to ask governments to accept commitments which they could not honour or which were incompatible with the present critical trade situation. There was a need to concentrate on the subjects which represented an effective fight against bilateralism. The representative of Switzerland also said that it was necessary to concentrate on essential issues. He felt that despite the controversies, the discussion had been open and to the point, and he was encouraged by the will of all contracting parties to maintain a constructive dialogue in search for consensus.

The representative of Jamaica said the work so far had not permitted the solution of problems for which the Ministerial meeting was called. The major concern should be to address the coherence and integrity of the GATT system. He also drew attention to the question of financial implications of draft decisions and said that there should be a careful review of the proposals in the light of this consideration. He also said it was important to ensure the maximum transparency in on-going consultations. consultations.

The Chairman noted in conclusion that it was the general wish of the Council that the matter should be pursued and that consultations should be held on the basis of the report of the Preparatory Committee. He noted that delegations had found this document to be an important basis for continuing preparations, in as much as it set out the points of views of different delegations or groups of delegations and made clear the divergencies. Future consultations would only be fruitful if there was a political will to reach convergence on the political issues. For this purpose he hoped that delegations would also consult among themselves and he offered his assistance in this respect. The Council would be reconvened at short notice to resume its deliberations on the matter.