RESTRICTED

C/M/193
22 November 1985

Limited Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
5 November 1985

MINUTES OF MEETING
Held in the Centre William Rappard on 5 November 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 thirty-fifth 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, April 1985-October 1985" (C/W/485 and Corr.1), and noted that it again included the overview section which delegations had found useful in past discussions. The Secretariat had also revised the document used at the special Council meeting in June 1985 covering developments in the preceding six-month period; the revision had been issued as C/W/470/Rev.1. After the present meeting, the Secretariat would issue for future reference a revision[1] of the working document prepared for the present meeting.

Many representatives expressed appreciation for C/W/485 and said it represented consistent improvement in documentation for the special Council meetings. They encouraged the Secretariat to continue to include the overview section, which they found very useful, and some delegations suggested that this section be expanded.

The representative of Japan said that C/W/485 had recognized Japan's efforts to further improve market access as a major trade policy development during the period under review. Some procedural improvements might be necessary to reduce inaccuracies in the document. The danger from increasing protectionist pressures and from the shift towards bilateral or regional approaches to trade problems persisted, as did the problems of the high rate of unemployment in Europe, the global imbalance of payments, the large US budget deficit and the developing

[1] Issued as L/5915.

countries' problems of stagnant commodity prices and accumulated debt. Japan was particularly concerned about the numerous protectionist bills in the US Congress, many of which did not conform with the spirit or provisions of the General Agreement. His country welcomed the US Administration's determination to resist protectionism. He said the best weapons to combat protectionism were the principles of non-discrimination and multilateralism embodied in the General Agreement. Important progress had been made during the preceding six months, notably the advancement of preparatory work for a new round of multilateral trade negotiations; it was hoped that the work of the Senior Officials Group established by the CONTRACTING PARTIES in October 1985 (L/5876) would soon be carried forward into more formal preparations for early launching of the new round. On the monetary and financial front, the movement in exchange rates following the September meeting of the Finance Ministers of five industrialized countries[1], and the positive tone of the IMF/World Bank Interim Committee meeting in Seoul in October, were positive developments. His Government had been resolute in working out measures to contribute to strengthening the global free trading system, and wanted to make Japan's market the most open in the world. He recalled that Japan had announced its External Economic Measures in April and had worked out the Action Program in July. Recently, his Government had also decided on policy measures to expand domestic demand with a view to lessening strains in its external economic relations. Japan would play an active rôle, commensurate with its economic status, in revitalizing the multilateral trading system and, together with all other countries, in launching the new round for that purpose. He said that many measures were still taken by contracting parties outside GATT, and temporary measures had become nearly permanent; the CONTRACTING PARTIES had to examine how to bring these under GATT disciplines and how to phase them out. The need for transparency and surveillance required the effective monitoring of these measures in appropriate GATT bodies, and Japan supported strengthening the surveillance function. However, the core of the problem was not the lack of an institutional mechanism, but the intention and will of each country to live up to its commitment to GATT principles, both individually and collectively. His Government was resolute in keeping its commitment to those principles and would actively participate in joint action to revitalize the multilateral trading system based on them.

The representative of Turkey shared the assessment in the overview section of C/W/485 that there had been a further increase in the already high level of protectionist pressures in the period under review. One such development, the passage through the US House of Representatives of the "Jenkins Bill" seeking restriction of US imports of textiles and clothing, would affect Turkey's interests as well as those of many other developing countries. His delegation hoped that this Bill, which would

---

[1] France, Germany, Japan, United Kingdom and United States.

violate US commitments under the MFA[1] and was contrary to the letter and spirit of the 1982 Ministerial Declaration and to UNCTAD Resolution 159(VI), would not be enacted. There had also been an intensification of protectionist pressures affecting steel imports from developing countries, while agricultural export subsidies implemented by the main trading nations had reached a new peak. The slower growth of world trade in 1985 had compounded the acute difficulties faced by developing countries, especially those heavily indebted and reliant on export growth to finance that debt. Despite these difficulties and a slower rate of export growth, Turkey had met its repayment obligations on time and, during the past two years, had simultaneously liberalized its trade. Many of these developments had been outlined in C/W/485: over 90 per cent of Turkey's imports were either freely imported or subject to licensing arrangements, and import duties on a wide range of products had been reduced or eliminated. His delegation hoped the proposed new round would offer Turkey the opportunity to increase exports, since import liberalization could be maintained only if exports were allowed to grow. The increase in both the number and trade coverage of export restraint arrangements (C/W/485, page 42) was a source of great concern, as many of these arrangements affected developing countries' export potential in sectors where they were particularly competitive.

The representative of Australia said that C/W/485 provided a strong argument for early action to launch a new round of negotiations. It was apparent that, cumulatively, the acceleration of new trade restrictions and those reported in earlier background documents were stifling trade and new market opportunities, as well as distorting the patterns of investment and production in steel and associated industries, agriculture, electronics, textiles and automobiles. Despite the world economy's further recovery from the 1981-82 recession, this extensive system of formal and informal trade barriers showed no sign of abating, with increased use of restrictions in all sensitive sectors, with the possible exception of footwear. The document showed that few Article XIX actions had been notified, despite the introduction or tightening of many restrictions which seemed to have been imposed for safeguard purposes; there was little hope that any of these would be temporary or non-discriminatory in accordance with the provisions of Article XIX. While negotiations were taking place on restrictions in a number of sectors such as steel, agriculture and textiles, none of these sectoral or bilateral discussions offered prospects for significant liberalization or improved adherence to GATT obligations. The large number of protectionist measures being considered by the US Congress was not the only reason for concern. It seemed reasonable to conclude from C/W/485 that non-tariff restrictions, especially those based on export

[1] Arrangement Regarding International Trade in Textiles (BISD 21S/3) as extended by the 1981 Protocol (BISD 28S/3).

restraint arrangements, were likely to increase in many major markets (C/W/485, appendices 5 and 6); almost all of those measures were in doubtful conformity with the General Agreement. These trade-distorting measures were likely to breed more barriers as they forced the cost of adjustment out of the main traders' markets and onto the world market. The evidence of deterioration in the conditions of world trade contained in C/W/485 and in the recently issued "Prospects for International Trade" (GATT/1374) endorsed the need to begin the new round as early as possible in order to negotiate trade liberalization and to shore up the market system against the growth of non-tariff measures. C/W/485 supported the need for multilateral measures to reverse the use of export subsidies, particularly in agriculture, and to halt and roll back the spread of non-tariff barriers. It reinforced the assessment that GATT safeguard procedures were being ignored by major trading countries, and illustrated the bottleneck which had developed in dispute settlement procedures. He recalled the priority his Government placed on securing improvements in all of these areas during the new round. The negative trends brought out in C/W/485 pointed to the need to strengthen, preferably in the course of the new round, the GATT surveillance function in order to give it a principal and continuous rôle in monitoring adherence to a standstill on protectionist measures; such a standstill would be an essential condition for starting a new round. In concluding, he encouraged the Secretariat to continue to prepare the half-yearly compendia of developments in the trading system. While contracting parties largely forgot their notification obligations, the Secretariat's independence ensured the comprehensiveness of those documents.

The representative of Canada generally shared the assessment in C/W/485 that the six-month period under review was characterized by serious protectionist pressures which could threaten the integrity of the multilateral trading system. The document also showed a disturbing trend towards increased subsidization of a range of agricultural exports, and continued use of voluntary export restraints, as well as considerable recourse to both tariff and non-tariff measures restricting trade. However, the period should not be characterized as one of gloom; there had been tariff reductions and steps towards liberalized licensing measures, and there had also been important policy statements reaffirming commitments to the international trading system. Events in the last month of the review period could be the turning point for the international economy; the meeting of the five Finance Ministers in September had resulted in a reduction of the dollar's value, and the recent IMF/World Bank Interim Committee meeting had shown a willingness to address problems underlying the monetary system and to tackle problems of severely indebted countries. There were also signs in GATT of a willingness to take steps to counter protectionist pressures and to strengthen and improve the trading system. The CONTRACTING PARTIES' decision at the recent Special Session to start a preparatory process towards a new round of multilateral trade negotiations was significant,

as it reaffirmed a commitment to the multilateral system and a willingness to cooperate in realizing GATT objectives. This process must not be allowed to falter, and Canada would continue to take an active rôle in promoting and preparing for the new round. The next step should be establishment of a Preparatory Committee at the CONTRACTING PARTIES Session in November so that in six months time, efforts would be in place to strengthen the trading system and to liberalize trade.

The representative of Korea said that 12, rather than the reported six (C/W/485, page 42), anti-dumping investigations had been brought against Korean exports during the period under review. In 1982, there had been 28 such cases, 13 of which had resulted in a final determination of no dumping; in the first six months of 1985, the figures were nine and six respectively, indicating a high level of final negative determinations. He said that his country continued to liberalize its markets, despite difficulties. Korea, which had never initiated anti-dumping charges against any country, intended to join the Anti-Dumping Code and to live up to the letter and spirit of its provisions; his country hoped that the developed countries' practices in this area would not set a bad example.

The representative of Yugoslavia said that the reviews carried out by the special Council meetings showed the need for in-depth analysis of ways to eliminate protectionism, particularly measures taken outside the GATT system. Adverse developments in the trading system could not be assessed in isolation from developments in the international monetary and financial systems. There was a need to create, through parallel action in GATT and appropriate bodies concerned with financial and monetary issues, conditions conducive to stability and confidence in the trading system. C/W/485 seemed to indicate that measures taken by the major trading partners, which were increasingly inconsistent with GATT principles, determined the world trade situation and threatened particularly the positions of weaker partners. Developing countries' exports were increasingly subject to anti-dumping and countervailing actions, restrictive trade arrangements and other measures outside GATT. In the six-month period under review, sectors of special importance to developing countries such as agriculture, steel, textiles and clothing, footwear, automobiles and electronics, continued to be affected by protectionist measures, despite those countries' need for export earnings to service their debt. The developments reported in C/W/485 confirmed that contracting parties, particularly the developed ones, were not fulfilling their commitments on standstill and rollback. In addition, pressure for new restrictive measures was high in some countries. This did not create the climate of confidence necessary for the proposed new round of trade negotiations.

The representative of Spain recalled that at the special Council meeting in May 1984, his delegation had suggested expanding the overview section of the Secretariat document prepared for these meetings. Since

that time, there had been continuous improvement in the document. C/W/485 should be read in conjunction with GATT/1374 which contained an analysis of the existing state of the trading system. C/W/485 indicated the danger that protectionist measures might lead to a further deterioration of the multilateral system. While the recent decline in the dollar's value might lessen protectionist pressures and the burden on heavily indebted countries, the danger arising from exchange rate fluctuations had to be considered. Trade measures had to be examined within a macroeconomic context which included the monetary, financial and fiscal fields, as these were all inter-related. In Spain's view, unilateral and autonomous measures, such as efforts to reduce budget deficits, should provide an incentive for countries to cooperate in their resistance to protectionism. It was increasingly clear that negotiations with wide subject matter and participation were necessary, as this was the only way out of the current impasse.

The representative of Singapore said his delegation endorsed the assessment in C/W/485 of increasing protectionist pressures in the major developed markets. Singapore supported the statement by Turkey, and added that one manifestation of protectionist pressure had been the unilateral and selective exclusion of developing country beneficiaries from schemes under the Generalized System of Preferences (GSP) (C/W/485, pages 23 and 31). The increasing use of arbitrary criteria to exclude developing countries from those schemes was worrying and had to be stopped. In the light of these developments, he was surprised by the statement in the overview section that there had been further improvements in GSP schemes.

The representative of Sweden, on behalf of the Nordic countries, said one of the most important commitments in the Ministerial Declaration was contained in paragraph 7(i). It was the responsibility of these special Council meetings to monitor that commitment, and the Nordic countries attached great importance to these semi-annual reviews of developments in the trading system. The largest part of C/W/485 was more or less a catalogue of protectionist measures, and market-restraining measures continued to proliferate. There had been, however, a few positive developments such as improvements in some GSP schemes, liberalization of licensing systems and Japan's market-opening efforts. The overview section reflected the dangerous trend toward bilateral trade relations, managed trade and export subsidization, and the fact that protectionist pressures worldwide remained high. Prospects for continued economic growth were uncertain, and developments in the monetary and fiscal areas had a crucial impact on world trade. He emphasized the Nordic countries' concern about this situation and the importance of the surveillance function carried out in these meetings. In the Nordic countries' view, a new round of multilateral trade negotiations offered the best means to control and improve an alarming state of affairs. A decision in the near future to launch a new round would signal that GATT was still a viable instrument and that contracting parties remained committed to its rules.

The representative of Hungary said the Council should pursue vigorously its key rôle in reviewing and monitoring developments in the trading system. The Secretariat document considerably helped small countries such as Hungary to follow international trade policy developments. He suggested that in future, this document should differentiate between the trade effects of the measures taken by major trading powers and those taken by small countries. His delegation agreed, based primarily on developments in the agricultural sector, with the Secretariat's assessment that the trading environment had deteriorated further in the period under review. As C/W/485 pointed out, competitive subsidization of agricultural exports was becoming one of the most acute international trade problems, with large bilateral agreements for the subsidized sale of temperate agricultural products and an appreciable increase in the use of subsidized export credits. The policies of the main agricultural traders indicated a siege mentality involving reprisals, retaliation and punitive sanctions. This had severe consequences for small agricultural traders such as Hungary, which was being squeezed by falling prices and debt-service obligations. He cited the effects of lower prices for meat, which accounted for half of his country's agricultural exports and 20 per cent of its convertible currency earnings. In concluding, he said that diagnosis of the problems facing the trading system was not enough; appropriate therapy was required. His delegation was ready to seek remedial action, if necessary in the form of a new round of trade negotiations.

The representative of South Africa said his delegation had been struck by the emphasis, in this and other GATT bodies, on the urgent need for trade liberalization and a return to non-discrimination. However, C/W/485 recorded a number of cases where certain contracting parties had imposed or envisaged imposing selective trade restrictions against South Africa. He pointed out that it was apparent that some of the actions and proposed actions, which were ostensibly based on political grounds, were aimed at barring entry into developed countries' markets of South African products competing with domestic products. These actions were in conflict with the aims and aspirations of the GATT. In this regard he quoted from the Ministerial Declaration, especially paragraph 7(iii), regarding the use of restrictive trade measures for non-economic purposes, and said that these acts appeared prima facie to his authorities to negate this Declaration. He wondered whether the Ministerial Declaration had any real force if individual contracting parties could ignore its provisions when they found it convenient to do so. His delegation deplored the fact that there had recently been a proliferation of similar measures, which was inopportune when GATT was about to embark on a new round of multilateral trade negotiations. South Africa was considering the implications of some of these measures in the light of its GATT rights and would revert to this matter at an appropriate time.

The representative of Korea referred to Singapore's statement and said Korean products were continually being dropped from GSP schemes. There was a need to improve these schemes, particularly given the current trend towards protectionism, and Korea wanted direct bilateral consultations in case of any change in them.

The representative of India said that the Secretariat document had, as in the past, understated many of the conclusions drawn. He drew attention to the statement in the overview section that there had been few signs of any easing of problems in troubled sectors such as textiles and clothing; in fact, there had been evidence to the contrary. Certain developments referred to in C/W/485 deserved closer attention, such as the autonomous liberalization undertaken by some countries, including India, in spite of a deterioration in major export markets. Turning to the new round of trade negotiations, he said developments during the preceding six months would not generate a hopeful atmosphere; actions had to be taken to create a proper environment for preparations for these negotiations. It was ironic that while developing countries were making autonomous liberalization efforts, the response to their requests in the areas of textiles and tropical products remained far from adequate. Furthermore, actions taken to counter alleged unfair trade practices had amounted to trade disruption and harassment. This did not help create an atmosphere conducive to trade liberalization, nor did it encourage developing countries to continue their autonomous liberalization efforts. Regarding the actions taken under Section 301 of the US Trade Act reported in C/W/485, he said there should be no linkage between merchandise trade and other areas not covered by the General Agreement. India believed that if liberalization of merchandise trade was to be maintained, GATT provisions had to be strictly adhered to, and no linkages could be established which went beyond GATT's parameters. In concluding, he reiterated that India was not opposed to a new round of negotiations and appreciated that this was looked upon by many contracting parties as an opportunity for future trade liberalization; however, a new round would contribute to strengthening the system only if a clear understanding on standstill was reached which provided for transparency and some kind of monitoring.

The representative of Trinidad and Tobago associated her delegation with the statements by Singapore and Korea regarding references in C/W/485 to the GSP. She recalled her delegation's concern at the unilateral action taken by certain major GSP donor countries to exclude developing countries from these schemes, using arbitrary criteria, especially the sole criterion of per-capita national income. Trinidad and Tobago, as a small country with limited natural resources and heavy dependence on one product with declining revenues, was affected by this practice. She warned of the dangers of using such arbitrary criteria without taking into account the effect this could have on the beneficiary country.

The representative of the United States said his Administration had made forthright efforts during the preceding year to resist protectionism and to defend its open trade policies in the face of an historically massive trade deficit which had reached US$15 billion for the month of September. This deficit was due largely to increased imports of manufactured goods which in the first six months of 1985 had grown 14 per cent over the same period in 1984, or at twice the rate of imports overall. Given the trade data for this period, the Administration's refusal to bow to protectionist pressures, and its continued hard line against protectionist efforts that would deny the United States and the international trading system the legitimate benefits of free trade, were remarkable. He pointed out that it was the US Congress which had authority in matters of international as well as domestic commerce; the Administration had tried to keep US trade policy in accord with the General Agreement, and it was important that this adherence to GATT principles be reciprocated by other contracting parties. The United States believed that truly free trade was fair trade, and would continue to defend its exports and its home market from subsidized and dumped competition, consistent with GATT obligations. It was recognized that macroeconomic factors underlay the severe US merchandise trade imbalance, but it was also a fact that while his country's imports were surging, its exporters were denied markets in which they would clearly have a competitive opportunity. Other bodies had urged negotiations on this matter in GATT, but the CONTRACTING PARTIES had unfortunately not done their part. The United States wanted to preserve access to its markets for imports from all trading partners and believed that protectionism almost always resulted in weakening the protected industry. The Administration viewed the new round not only as an opportunity for further liberalization and an improved GATT, but also as a means of helping it to continue to resist protectionist pressures. The United States urged other contracting parties to move expeditiously at the November Session to give a clear sign to the world, and to those resisting protectionism, that GATT would soon begin the new round of negotiations.

The representative of Egypt said C/W/485 showed that the standstill and rollback commitments of the Ministerial Declaration had not been carried out, particularly on elimination of measures inconsistent with the General Agreement. There had been an increase in protectionist measures, especially those affecting sectors important to developing countries, such as textiles. Faithful application of the commitment in paragraph 7(i) of the Declaration was needed. Discussion of the new round should not hinder or delay implementation of the commitments in that Declaration or other GATT obligations. He suggested that new, precise standstill and rollback commitments would be necessary confidence-building measures to prepare the ground for any new round on trade in goods.

The representative of Poland said his delegation deplored the lack of progress on the suspension of Poland's m.f.n. status in the US market. This was of great importance to his country's perceptions of what a new round might yield, and was evidence of the serious deformations in international trade which this special Council was examining.

The representative of the European Communities praised the cooperation between the Secretariat and the contracting parties which had made the document for these special Council meetings an essential working tool for those involved in the formulation and implementation of trade policy. Apart from a collection of detailed facts, the document contained a lucid and courageous analysis of the world trade situation. Regarding the details contained in the document, he noted it was not the Community that had asked to have the Commission's "green book"[1] mentioned in C/W/485/Corr.1. He asked whether there were new elements to report regarding Australia's constitutional ban on sugar imports, and whether the figure for the US Bonus Incentive Commodity Export Program (BICEP) had been accurately stated in C/W/485. Referring to page 9 of C/W/485, he felt it should be updated to reflect the fact that the United States had, effective 1 November, drastically increased its tariffs on pasta, because of the Community's "failure to give significant access" to US citrus exports. This action represented a 16,000 per cent increase in the bound duty on non-egg-containing pasta and amounted to an effective total embargo on imports of this product. He asked how this action could be compatible with US obligations under Articles I and II. The United States had used the Community's so-called blockage of the Panel report on citrus products (L/5776) as justification for its action; in fact, the Community's position reflected the doubts and concerns of a number of contracting parties about the Panel's recommendations. The United States had tried to pressure the Community into taking action even where the Panel had found no violation of GATT provisions. In order to protect its legitimate interests, the Community had increased its tariffs on imports of lemons and walnuts from the United States, affecting a volume of trade substantially equivalent to that affected by the US measures. While the Community was large enough to protect its interests, he wondered what other contracting parties could do if threatened with Section 301 actions. He said that this situation had to be seen in the context of a common will to launch the new round, and hoped that a negotiated solution could be achieved. Turning to the issue of the GSP, he said these schemes had not always operated efficiently or achieved the desired results. The GSP should be used as a dynamic instrument and function as an incentive for new industries to become competitive. The Community was ready to discuss this issue in order to clarify criticisms

[1] Draft internal document on reform of the Community's Common Agricultural Policy.

leveled at GSP donor countries. He recalled finally that the present surveillance exercise should not be one of counter-notification or a settlement of accounts, but should serve as a collective assessment of the state of the trading system. Turning therefore to the overview section of C/W/485, he felt that it brought out the interdependence of the economies of all trading partners in the multilateral system and, in particular, the inter-relationship of developments in the monetary, financial, fiscal and trade areas. However, more could have been said about the unseen resistance to protectionist pressures. The decrease in the value of the dollar could reduce protectionist pressures; however, real improvements in the competitivity and productivity of US industry would require a reduction in the budget deficit and interest rates. The document rightly brought out the pre-eminent rôle of the United States in the world economy and how its actions affected the rest of the world. He referred to the major US exporting industries' practice of setting up plants in Western Europe and said that this should be kept in mind in discussing free or fair trade. For the first time, the Secretariat had taken up the problem of the impact of trade and other measures on employment. Countertrade was also a problem, as it was seen by many as an easy way out. In concluding, he recalled that the Community had always favoured a collective assessment, and asked what conclusions could be drawn in order to try to find remedies. He wondered whether all would agree that a new round of multilateral trade negotiations was necessary. New surveillance mechanisms could be ineffective, since the root of many problems lay outside trade policy, and contracting parties had so far failed to use adequately the existing surveillance mechanism -- the special Council. There was need for a joint evaluation of the balance of rights and obligations in GATT and for a determination of why some contracting parties felt the need to resolve their problems outside GATT. All these issues would have to be discussed in the new round.

The representative of the United States considered that the pasta issue should be raised in the regular Council meeting which would immediately follow the present special meeting. The United States would make a statement on this matter in that meeting.

The Director-General drew attention to his report on the status of work in panels and the implementation of panel reports (C/136). He recalled that according to the 1982 Ministerial decision on Dispute Settlement Procedures (BISD 29S/13), he was required to inform the CONTRACTING PARTIES of any case in which it had not been possible to establish a panel within the thirty-day deadline. As C/136 showed, there were three such cases, namely those relating to Canadian liquor boards (L/5777), US restrictions on sugar-containing products (L/5783) and Japanese restrictions on leather footwear (L/5826). In all three cases there had been negotiations or developments regarding the substance of the dispute; this appeared to be the main reason that

consultations on the terms of reference and composition of those panels had lagged. While he welcomed all efforts to resolve disputes through consultations, he believed that the panel procedure, once launched, should be carried out within the deadlines established in the 1979 Understanding (BISD 26S/10).

The representatives of Uruguay and Argentina recalled their countries' interest in Japan's restrictions on imports of leather and asked to be kept informed of the most recent developments in this matter.[1]

The representative of the European Communities, referring to the Canadian liquor board case, reminded the Council that the Panel had been established eight months earlier and that its terms of reference had still not been set. The consultations between the federal Government and the Provinces should be accelerated so that terms of reference could be established and work could progress. The Community also wondered what action the United States was taking as follow-up to the Panel reports on the US Manufacturing Clause (L/5609) and on Vitamin B-12 (L/5331).

The representative of Canada said that his Government had maintained bilateral consultations with the Community on the liquor board case and had been in almost continuous contact with the Provinces. While progress had been slow, Canada hoped that a solution could be found. His Government had made suggestions to the Secretariat regarding draft terms of reference and would work to find a solution which would take into account the interests of both parties to the dispute.

The Director-General noted that as indicated in C/136, Japan had stated its intention to begin Article XXVIII:5 negotiations on leather imports once it had decided the tariff action it wanted to take in the matter.

The representative of the United States pointed out that his delegation had raised the Panel report on canned fruit (L/5778) at the October Council meeting, which was not reflected in C/136.

The representative of Japan said that in respect of leather imports, his Government had already notified its intention to negotiate under Article XXVIII:5. As to the Panel on leather footwear, Japan was willing to follow GATT procedures.

---

[1] See also C/M/194, item 15.

The Chairman concluded the discussion by saying that it had made clear the contracting parties' deep-rooted and far-reaching concerns over the present state of the world trading system. In his opinion, the exchange of views at the present meeting had gone a long way in analysing this situation and in pointing the way for the future.

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