RESTRICTED
C/M/172
16 November 1983
Limited Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
1 November 1983

MINUTES OF MEETING

Held in the Centre William Rappard on 1 November 1983

Chairman Mr. H.V. Ewerlöf (Sweden)

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 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 special meetings to review this matter in November 1980, May 1981, November 1981, June 1982 and July 1983. He recalled that at its fifth special meeting in July 1983, the Council had agreed that these meetings would serve to monitor paragraph 7(i) of the Ministerial Declaration, as had been suggested by the Consultative Group of Eighteen. The Council had also agreed that such special meetings would preferably be held twice each year; that the secretariat should continue its efforts to improve transparency, inter alia, through information not based on notifications; that in respect of notification requirements, the secretariat should endeavour to streamline the information process; that delegations would co-operate with the secretariat in these efforts; and that the Council would consider the suggestion by the Nordic countries for the establishment of a working party to examine the need for notifications, priorities, periodicity and possibly the best use of notifications.

He referred to the updated factual note (C/W/420/Rev.1), prepared by the secretariat on its own responsibility, and recalled that at the Council meeting on 3 October 1983, the Director-General had informed representatives that a new division, to be entitled the Trade Policies Division, had been established to increase the secretariat's capacity for handling the various types of information communicated to it. The Director-General had said that the new division's work would be directly relevant to the reviews carried out by the Council in special session and that he would give more details of the new division's activities at this meeting.

The Director-General said that the function of the new Trade Policies Division would be to make more effective the internal organization of the secretariat for dealing with the notification and surveillance of trade policies. The first and fundamental task of the Division would be to help the Council in its oversight and monitoring of the Understanding and of the commitments undertaken in the Ministerial Declaration, particularly in its paragraph 7(i). For this purpose, the Division would produce the documentation necessary for the Council to carry out effectively its half-yearly reviews of developments in the trading system. He said his intention was that the quality and comprehensiveness of the information available to contracting parties in the field of non-tariff measures should be raised as nearly as possible to the level already achieved for tariffs.

The new Division should improve considerably the ability of the secretariat to assess the impact of restrictive measures on trade flows, and would strengthen the services provided to the Committee on Trade and Development, the Committee on Balance-of-Payments Restrictions and other GATT bodies, and would also improve the ability of the secretariat to co-operate effectively with the IMF and the World Bank. He said that the Division had not been in existence long enough to have been able to modify significantly the documentation provided for the present Council meeting. The secretariat had, therefore, updated the factual note used in July 1983, which already reflected an evolution resulting from the suggestions and comments made by representatives at earlier special Council meetings. He stressed, however, that this documentation could, and should, respond more adequately to the needs of the Council and of the governments themselves. He invited representatives to make suggestions as to how it could be improved further. He expressed his hope and intention that the results of this activity would be to make the GATT secretariat the primary source of information on international trade policies, and to improve substantially the ability of contracting parties to monitor and react to developments in those policies.

The Chairman informed the Council that a communication had been received from the European Communities related to the reference, on page 23 of document C/W/420/Rev.1, concerning trade in flatware between the Benelux and Korea. The Benelux authorities had said that they had no knowledge of such an agreement, and had requested that this reference be deleted.

The representative of Israel said that the entry concerning a long-term trade agreement with China at page 22 of the document did not relate to Israel. The Chairman said that the entry should have shown that Finland was the contracting party in question.

The representative of Norway, speaking on behalf of the Nordic countries, said that the main question before the Council was how trade policy had developed since its special meeting in July. The new measures

appeared to be limited in number. He noted that some of the measures taken under Article XIX were fairly important; but the fact that they were taken under Article XIX, and not outside the GATT, entailed advantages for the GATT system. Some of the new measures taken outside the GATT were actually positive; but it was difficult to judge some other measures from the information given in the list. He therefore encouraged the secretariat to indicate, to the extent possible, the nature of the measures more clearly in future documents. He said that it was difficult to determine from the list whether there had been an important trend towards protectionism during recent months or any dismantling or roll-back. This clearly spoke in favour of a point of view, held for quite some time by the Nordic countries, that transparency concerning measures taken outside the GATT should be improved.

He then referred to the idea which the Nordic countries had mentioned at the special meeting in July of establishing a working party to look at notification requirements. The idea was not something which the Nordic countries wished to press unless there was a fair measure of support for it. He said that such a working party should examine all existing notification requirements to see whether the periodicity ought to be changed, whether questionnaires and guidelines could be improved, and whether notifications under a specific Article should be given a more uniform structure. Such a working party should also discuss how to have more contracting parties submit notifications, and what notification requirements should be given priority. Furthermore, it ought to consider whether better use could be made of notifications. The most important notifications should perhaps contain summaries which would give concise individual pictures of the situation with respect to particular matters. There might also in certain instances be reason for asking the secretariat to analyse, for instance, developments in the field of subsidies.

The representative of Singapore sought from the Director-General clarification on the following three points related to the function of the special Council meetings in monitoring paragraph 7(i) of the 1982 Ministerial Declaration: First, was such monitoring limited only to notifications? Second, were reverse notifications expected? Third, would the new Trade Policy Division be asked to report to the special Council on a regular basis on trade developments, especially in relation to compliance with paragraph 7(i)?

The Director-General replied that monitoring of paragaph 7(i) would not be limited to notifications, and that reverse notifications were possible. The tasks of the Trade Policies Division would include the preparation of better documentation than had so far been possible, so that the Council itself would be able to judge on compliance with paragraph 7(i).

The Chairman expressed his agreement with the reply given by the Director-General.

The representative of Singapore, noting the reply that notifications were not the only means for monitoring compliance with paragraph 7(i), asked what else was intended for carrying out this function.

The Director-General referred to his introductory statement and stressed that the activities of the new Division would not only be related to streamlining the present notification system, but also to gathering information available through other sources. Once the new Division had begun its work, the secretariat would seek the advice of delegations in a number of areas. While the secretariat was not thinking of a formal working party at this stage, the possibility should be kept in mind of creating some procedure which would help the secretariat in these activities.

The representative of Chile recalled that, at the previous special Council meeting, his delegation had expressed its agreement with the Director-General's concern with the deterioration of the trading situation since the 1982 Minsterial Meeting. Chile attached great importance to the special Council meetings and to assessing the situation of the trading system and surveying the application of paragraph 7(i). He considered it useful to make use of information not provided in notifications in order to get a fuller view of trade restrictions. In addition to grey-area measures and voluntary restrictions, there were other measures such as State trading which could not be measured on the basis of a limited number of notifications. It would also be interesting, at least from an analytical standpoint, to review countertrade within the GATT. The secretariat's factual note was useful in revealing that no progress had been made with respect to a standstill or roll-back of trade restrictions. Notwithstanding the incomplete information, it could be said that the CONTRACTING PARTIES were very far from the objective set in the Ministerial Declaration. He expressed support for establishing a working party for the review of notifications. His delegation considered that there should be a standard format for notifications, similar to the loose-leaf system used for customs measures.

The representative of Australia said there appeared to be no signs of any action to reduce protectionism, despite the Ministerial Declaration and the multitude of statements of good intentions in many fora. His delegation continued to be concerned about the failure of many contracting parties to honour their notification obligations. The growing number of items included in the section "Information not based on notifications" indicated that self-notification appeared to be no satisfactory basis for developing full transparency in trade policies. The secretariat should therefore continue its efforts to improve transparency; the new Trade Policies Division had an important role to play in this respect. He pointed out that information on quantitative restrictions had so far been compiled by the GATT on a measure-by-product basis, the information on agricultural matters on a country-by-product

basis, and the information on non-tariff measures on a measure-by-country basis. The Trade Policies Division should consider ways and means to present such information in a more uniform fashion. Moreover, since there would be an ongoing need for information based on notifications, the Division should be responsible for continuing to gather and update the information notified to some current GATT bodies with limited lives. His delegation looked forward to participating in informal discussions on the Nordic suggestion, and found it welcome that greater uniformity in the presentation of information in notifications would be one of the subjects to be considered by the working party.

The representative of the European Communities said that his authorities, aided by the commitment in the 1982 Ministerial Declaration, had been able to resist protectionist pressures despite restrictive actions taken elsewhere. He was optimistic that the ideas discussed in the margin of the Consultative Group of Eighteen might reinforce the recovery by concrete trade measures. He, too, had been struck by the fact that only thirty or forty of the ninety contracting parties observed at least some of their notification obligations; the others should be urged to do likewise. It was not necessary to create the working party suggested by the Nordic countries in the immediate future. This question could be addressed after the Trade Policies Division had had a chance to study the problem of notifications, and in the light of the informal consultations which the Director-General had suggested. As for the Chairman's earlier reference to the entry concerning trade in flatware, mentioned on page 23 of document C/W/420/Rev.1, he noted that the Government of Germany was also unaware of such an agreement.

The representative of Australia said that the Commercial Tariff Concession System mentioned on page 24 of the document could not in any way be regarded as a trade restrictive measure. This System provided reductions of duties in cases where no goods serving functions similar to the imported goods were produced in Australia. Therefore, he asked that the item be removed from the list.

The Chairman said that the document was meant to include both restrictive and liberalizing measures. The Director-General added that it was sometimes difficult to ascertain whether a particular measure had a restrictive or liberalizing effect. He hoped that the new Trade Policies Division would enable the secretariat to make a clear distinction between trade restrictive and trade liberalizing measures in the documentation submitted for future Council meetings.

The representative of Japan said that the monitoring mechanism for the special Council meetings had to be made more effective. He therefore supported the Nordic suggestion to examine establishment of a working party on notifications, but suggested that the mandate of this group be discussed in greater detail.

He said that Japan had taken a series of trade liberalization measures, which were referred to on page 22 of document C/W/420/Rev.1. In addition, his Government had announced on 21 October 1983 comprehensive economic measures aimed at domestic expansion and a furthering of international economic activities (L/5570). These measures were designed to expand domestic demand, further open the Japanese domestic market, promote imports, encourage capital inflow, improve the condition of financial and capital markets and promote international co-operation. The further opening of the Japanese market was to be achieved by a reduction of tariffs, a relaxing of import restrictions and improvement in the Standards and Certification System. The tariff rates on the items listed in document L/5570 would be reduced, and an advance reduction of MTN tariff rates on industrial products was under consideration, in addition to an increase in the quota ceilings of the GSP. Prime Minister Nakasone had called for the general public to welcome foreign products. This showed his Government's intention to move beyond a mere opening of the market to the realm of active import promotion. He added that these measures represented the maximum that could be undertaken under the severe domestic constraints Japan was facing. His authorities hoped that other countries would recognize Japan's motivation and also take positive actions to hold back protectionism, restore a balanced development of the world economy and strengthen the free trade system.

The representative of Spain welcomed the Director-General's decision to create the Trade Policies Division. Once it had begun its work, a review of the implementation of paragraph 7(i) of the Ministerial Declaration could be envisaged. The two problems of the non-notification of measures provided for in the General Agreement, and of the measures taken outside the General Agreement, had to be dealt with; he therefore viewed the Nordic suggestion positively, although the terms of reference of the proposed working party would need to be further defined. One of its tasks might be to analyse the reasons for the failure of some contracting parties to comply with their notification obligations.

The representative of the United States said that the reviews of developments in the trading system were useful, and he encouraged the secretariat to consult informally with delegations on ways to improve these reviews. With regard to the measures referred to by the representative of Japan, he appreciated that efforts were needed in order to promote international co-operation. In view of the US trade deficit in this area, his authorities encouraged such steps and hoped that others would follow, so that all countries could move to a more open trading system. The United States appreciated the current steps taken by Japan, which would be watched very carefully, and hoped that they would result in some positive outcome.

The representative of the Philippines said that the 3 per cent surtax listed on page 25 of C/W/420/Rev.1 as a non-notified measure had in the meantime been formally notified to GATT. He welcomed the creation

of the Trade Policies Division, which should be given the opportunity to examine the notification procedures before a working party on this matter could be established. He further suggested that a complete list of anti-dumping and countervailing duties be prepared by the secretariat for the next special Council meeting.

The representative of India recalled that in the 1982 Ministerial Decision on Dispute Settlement Procedures (BISD 29S/13-16), the CONTRACTING PARTIES had decided that the Council, in furtherance of paragraph 22 of the 1979 Understanding, should periodically review the action taken pursuant to recommendations made by the CONTRACTING PARTIES. He said that the Council might perform this task in its special sessions, and suggested that the Chairman consult with delegations on whether such reviews should take place in the regular or special meetings of the Council, as well as on their frequency and nature. It would be useful if the Council's periodic reviews of this particular aspect of the Ministerial Declaration could be based on appropriate documentation.

The Chairman replied that he would consider this suggestion. He concluded the meeting by saying that there apeared to be a very positive attitude towards the work undertaken by the Council in special meetings and that there was a general desire to improve this work. In this context, the creation of the new Trade Policies Division had been welcomed. The documentation provided by the secretariat, however useful, had shown that the notification obligations were not fulfilled by all contracting parties and that there was a clear need for more transparency. The suggestion by the Nordic countries to establish a working party on notifications had been welcomed by a number of representatives. Although such a working party might in due course be useful, it would be premature to set it up at this stage. He noted the Director-General's intention to consult delegations in the near future on this matter. He noted further that some delegations had expressed regret about the lack of progress in the implementation of the standstill and roll-back commitments in the Ministerial Declaration, but that the Council had also been informed of some trade liberalization measures.

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