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SM/85/183

June 26, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Meeting of the GATT Council of Representatives

Attached for the information of Executive Directors is a report by the Fund observers on a meeting of the GATT Council of Representatives held in Geneva on June 5 and 6, 1985.

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INTERNATIONAL MONETARY FUND

Meeting of the GATT Council of Representatives

Report by the Fund Observers 1/

June 24, 1985

The GATT Council of Representatives met on June 5-6, 1985 under the chairmanship of Ambassador Chiba of Japan. 2/ The regular Council meeting was preceded by a special meeting at which recent developments in the trading system were reviewed. The Fund observers at the meetings were Carlos E. Sanson and Richard Eglin.

The main item on the agenda of the regular meeting was a discussion of "Recent developments in international trade and their consequences for GATT, and the status of implementation of the 1982 Ministerial Work Program." Under this item, the launching of a new round of multi-lateral trade negotiations was discussed. A group of 22 developing countries, which had previously opposed the initiation of trade negotiations until the Ministerial Work Program was substantially completed, issued a joint statement proposing specific multilateral trade negotiations, confined to trade in goods only and subject to certain preconditions. 3/ These preconditions included a firm and credible commitment on a standstill and rollback of measures inconsistent with GATT, a commitment by textile and clothing importing countries to apply GATT rules and disciplines to trade in this area, agreement on an independent and accelerated timetable for the liberalization of import restrictions on products of export interest to developing countries, and the elaboration of techniques for providing differential and more favorable treatment to developing countries during the course of the negotiations. In addition, these countries sought commitments from other contracting parties to begin parallel discussions to review and reform the international financial and monetary system in appropriate fora, and to examine in depth in GATT the effects of exchange rate fluctuations on international trade. This statement was considered by the major industrial countries to be a constructive and encouraging step toward reaching agreement on the launching of a new round of trade negotiations. The Council was not able to agree at this meeting on a date for a senior-level

1/ Documents referred to in this report are on file in the Secretary's Department.

2/ GATT/AIR/2155 and GATT/AIR/2161.

3/ Argentina, Bangladesh, Brazil, Burma, Colombia, Cuba, Cyprus, Egypt, Ghana, India, Ivory Coast, Jamaica, Nicaragua, Nigeria, Pakistan, Peru, Romania, Sri Lanka, Tanzania, Uruguay, Yugoslavia, and Zaire.

officials' meeting to discuss the agenda and procedural aspects of a new round, but it did agree that the Council chairman and the Director-General should hold informal consultations on the matter and that it would return to it at its next meeting on July 17-18, 1985.

1. Special Council meeting--Review of developments
in the trading system: notification, consultation,
dispute settlement and surveillance

The Council chairman recalled that the purposes of these semi-annual special meetings were to review recent developments in the trading system and to monitor Paragraph 7(i) of the Ministerial Declaration, which had committed contracting parties to resist protectionist pressures and to conduct their trade policies in conformity with GATT rules and disciplines. He drew the Council's attention to the Secretariat's background paper entitled "Developments in the Trading System, October 1984-March 1985." 1/

This paper stated that there had been no real improvement in the international trade environment since October 1984. There had been a few encouraging developments, including accelerated Tokyo Round tariff cuts by a number of industrial countries, some improvements to GSP schemes for the least developed countries, and significant liberalization measures by India, Korea, New Zealand, and Turkey. Governments had continued to express determination to resist protectionist pressures and to reinforce the multilateral trading system at the OECD Ministerial Council meeting and the World Bank-IMF Development Committee meeting, and some comfort was to be drawn from the fact that strong protectionist pressures in the United States had led to few concrete measures. However, the drift toward managed trade had continued, especially through voluntary export restraints. Restrictive arrangements governing trade in steel had been extended substantially, the Multifibre Arrangement had been applied more restrictively, and there had been unfavorable developments in trade in agricultural products, including an increase in agricultural export subsidies. The paper also recorded a distinct rise in countertrade arrangements. It concluded that tensions in bilateral trade relations remained as great as at any time in recent years.

The representative of the European Communities said that the multilateral trading system was still under considerable strain, but it was encouraging to see that it had withstood the pressures placed on it as well as it had. These pressures had arisen in part from

1/ GATT document C/W/470 and Corr.1.

instability in the international financial system, and it was clear certain countries needed to adopt more responsible fiscal and monetary policies. The member states of the European Communities were resisting strong protectionist pressures that derived in part from the growing EC trade deficit, especially with the developing countries. Improvements in the EC's economic performance, particularly with respect to inflation, capacity utilization, and fiscal adjustment, had helped strengthen governments' resistance to protectionism, and had enhanced the prospects for continued noninflationary growth. In contrast, the economic recovery in the United States was slowing down and the need for substantial adjustment in the U.S. fiscal policy had not yet been tackled. The U.S. Government needed to strengthen its resolve to avoid discriminatory bilateral trade policies as it entered a period of economic adjustment. He concluded that contracting parties still lacked a clear, collective understanding of developments in the international trading system, and that as a result there was no unambiguous interpretation of how effectively the Ministerial Work Program was being implemented.

The representative of Australia felt that it was clear that there had been a considerable worsening of the international trade environment in the last six months. In the agricultural sector, the European Communities and the United States were completely disregarding trade disciplines, and his Government questioned their commitment to strengthening the rules in the GATT. The new agricultural export subsidy scheme that had been launched by the United States was of particular concern, and would create an atmosphere of confrontation for future trade negotiations. In other areas, the picture was equally bleak. The United States had not insisted on renewing the voluntary export restraint with Japan on automobiles, but the Japanese Government had nevertheless committed itself to managing the growth of its automobile exports. U.S. import restrictions on textiles and clothing had been tightened substantially, and global trade in steel and electronic products was falling increasingly into an administered framework.

The representative of Japan agreed that there had been a continued deterioration in the international trading system. The spread of bilateralism was particularly worrying, and was not only a reflection of temporary economic problems but also of a fundamental failure to correct structural weaknesses. His Government had been unwilling to discontinue the export restraint on automobiles to the United States because it had feared that a sharp increase in exports would occur, which could provoke a resurgence of protectionist pressures against all Japanese exports. He assured the Council that the export restraint was temporary and exceptional.

The representatives of the United Kingdom, on behalf of Hong Kong, Korea, Pakistan, on behalf of developing countries, exporters of textiles and clothing, and Uruguay, deplored the increased restrictions that had been placed on trade on textiles and clothing, particularly by the United States. This was causing an erosion of confidence among developing countries, and reflected a serious failure of industrial countries to meet their commitments in the GATT Ministerial Declaration. Reports from the United States that additional restrictions on textiles were under serious consideration was causing alarm among developing countries, and they urged the U.S. Administration to resist such protectionist pressures.

The observer from China also spoke strongly against U.S. textile policy. China had adopted a policy of opening the economy to foreign trade, and tariffs had been reduced on average by over 10 percent in the past few years. However, Chinese exporters were facing increasing restrictions in most major markets, and unless this trend was reversed China could not continue to implement its own program of trade liberalization. The representatives of Colombia, New Zealand, and Turkey also called attention to their trade liberalization efforts and the need for these efforts to be supported through similar action by other contracting parties if they were to be successful.

The representative of the United States felt that the discussion had tended to focus on negative developments over the past six months, and that while there remained cause for concern over the state of the international trading system, in his Government's view the situation was improving. International trade was expanding relatively quickly, and the U.S. economy had absorbed a substantial share of the growth in trade. This reflected the success of his Government in resisting protectionist pressures, but in order for it to be able to continue to do so there was urgent need for agreement to launch a new round of trade negotiations.

The representatives of Jamaica and the Nordic countries addressed the issue of improving notification procedures in GATT, and recalled a proposal made by the Nordic countries in 1983 for setting up a working party to consider the matter. 1/ They considered that the GATT secretariat should propose how its own authority could be increased in this area. The Director-General of GATT referred to a proposal contained in the Leutwiler Report that the Secretariat should be given increased competence to prepare documentation for surveillance in GATT, and urged contracting parties to give consideration to this question before the next special Council meeting. 2/

1/ GATT document C/W/471.

2/ Proposal 8 in "Trade Policies for a Better Future," reported on in SM/85/144.

2. Regular Council meeting

- a. Recent developments in international trade and their consequences for GATT, and status of implementation of the Ministerial Work Program

The chairman noted that this item had been placed on the agenda as a result of a request from the representative of Austria that the Council should formally discuss the launching of a new round of trade negotiations.

The representative of India made a statement on behalf of 22 developing contracting parties to the GATT. ^{1/} He noted that the developing countries had been calling for tangible progress in building confidence in the multilateral trading system through the implementation of commitments undertaken by industrial countries, including the 1982 Ministerial Declaration. In their view, very little progress had been made, particularly on items of interest to developing countries in the Ministerial Work Program. With regard to a new round of multilateral trade negotiations, the objectives and agenda were far from clear and there was little evidence to indicate that it would reduce the basic asymmetry in trade relations between developing and industrial countries. It was, moreover, clear that the industrial countries wished to launch negotiations in new areas of trade, and this could divert attention from matters of particular interest to developing countries such as tropical products, textiles and clothing, agricultural products, and safeguard measures.

Since the developing countries could not afford to ignore the recent calls for a new round by industrial countries, they would be prepared to make a proposal themselves for specific multilateral trade negotiations confined to trade in goods only and to be conducted under the GATT. These negotiations should cover manufactured goods, semi-processed goods, and natural resource products, and particular emphasis should be placed on the liberalization of trade in agricultural products. They should encompass all tariff and nontariff barriers, and they should permit a significant enlargement of access for developing countries' exports.

The developing countries sought agreement on the following actions to be undertaken before specific negotiations could begin:

^{1/} The statement is appended to this report.

(1) A firm commitment, supported where necessary by appropriate legislative sanction, not to introduce any new restrictive trade measures inconsistent with the GATT, and to rollback existing measures inconsistent with the GATT.

(2) A commitment by industrial countries to the full application of the rules and principles of the GATT for the regulation of international trade in textiles and clothing.

(3) The establishment of an accelerated and special timetable for liberalization of trade in tropical products and of quantitative restrictions and other nontariff measures that affect developing countries' exports, as well as for the reduction of tariff escalation. Action in these areas must be concluded prior to, and independently of, the results of negotiations in other areas.

(4) A commitment that GATT disciplines on subsidies would be strictly observed, and utmost restraint under suitable GATT surveillance would be exercised in the use of export subsidies on products which compete with developing countries' exports to third country markets.

(5) A commitment that utmost restraint under suitable GATT surveillance would be exercised in applying countervailing and antidumping procedures against imports from developing countries.

(6) The conclusion of a comprehensive agreement on safeguards based on the GATT.

(7) The improvement of the dispute settlement mechanism to protect the rights of developing countries.

(8) The establishment of techniques and modalities for trade negotiations that would assure the application of GATT provisions on differential and more favorable treatment for developing countries, particularly the agreement of industrial countries not to expect reciprocity and, therefore, not to seek concessions from developing countries that are inconsistent with their development, financial, and trade needs. Special attention should be paid to the particular situation and problems of the least developed countries.

(9) A commitment to start a parallel process to review and reform the international financial and monetary system in appropriate fora, and to examine in depth in GATT all the effects of exchange rate fluctuations on international trade.

The representative of Singapore, speaking on behalf of the ASEAN countries, comprising Indonesia, Malaysia, the Philippines, Thailand, and Singapore, said that these countries were prepared to join in a consensus on trade negotiations as long as their priorities were given full consideration. These priorities were the liberalization of trade in agricultural products, tropical products, textiles and clothing, and natural resource products, the full application of special and differential treatment to developing countries, and an understanding on safeguards.

The representative of Korea considered it crucial that a new round of trade negotiations be launched as soon as possible. There should be a freeze on new protectionist measures and a rollback of existing measures inconsistent with the GATT, and the commitment of industrial countries to provide special and differential treatment to developing countries should be respected. All aspects of the Ministerial Work Program should be addressed in the negotiations.

The representatives of Pakistan, Turkey, and Uruguay agreed that new negotiations were needed, but stressed that parallel efforts should be made to reform the international financial system. Developing countries facing balance of payments difficulties would need increased flows of financial resources if, as a result of negotiations, they were expected to open their markets to foreign competition.

The representative of the United Kingdom, on behalf of Hong Kong, said it was too early to take a definitive view on launching a new round of trade negotiations. All contracting parties wanted a more liberal trading environment, but this should not be sought at the expense of neglecting unfinished business contained in the Ministerial Work Program that aimed at strengthening multilateral trade disciplines. The developing countries' position with respect to the liberalization of trade in textiles and clothing had been clearly set out in the Mexico Communiqué, and it was important that industrial countries acknowledge their willingness to allow the Multifibre Arrangement to lapse in mid-1986 before developing countries could commit themselves to negotiations in this area.

The representative of Jamaica said that his Government maintained a clear preference for including trade in goods only on the agenda, but that if industrial countries insisted on the inclusion of new areas, such as trade in services, these should be carefully discussed by all contracting parties during the preparatory work for the new round, since they would lead to an enlargement of the scope of the GATT and affect the balance of rights and obligations of individual contracting parties. Monetary and financial reforms, as well as better coordinated macroeconomic policies among the industrial countries, would be needed to underwrite trade liberalization.

The representative of Poland felt that careful preparations would need to be made for a new round, which would be significantly different from its predecessors because of the difficult prevailing economic situation and the need to address new areas of trade and to improve basic trade disciplines. The representative of Hungary agreed that GATT rules needed to be strengthened, and expressed particular interest in negotiations on trade in agricultural products.

The representative of the European Communities warmly welcomed the statement made on behalf of 22 developing countries as an important step forward toward the launching of a new round of trade negotiations. There was now agreement in principle that a new round was necessary, and what remained was to negotiate the agenda, timetable, and procedures that were to be used. He was in agreement on the need to negotiate in all of the areas that had been identified by the Indian representative and the representatives of other developing countries who had spoken at the meeting. Also, he supported the developing countries' insistence that parallel efforts be made to improve the functioning of the international financial system. In this context, he noted that an examination of the issues was underway and would be discussed at the Annual Meeting of the IMF in October.

There were, however, two particular areas in which he was not in agreement with the position set out by the Indian representative, although he considered in both cases that the differences in opinion could be resolved through negotiations. In the first place, he could not accept that a new round should be limited only to trade in goods. The very nature of negotiation required that all participants should be able to derive some benefit, and industrial countries had particular concerns in other areas of trade which they would want to address in the course of a new round. Secondly, he could not agree that the principle of differential and more favorable treatment for developing countries should be applied without attention to the growth and development of specific countries, nor that the industrial countries could be expected to make unilateral concessions indiscriminately. Special treatment could not be accorded forever to all developing countries, regardless of their stage of development. It would therefore be necessary to agree on criteria that industrial countries could use to decide which of their trading partners were eligible for such treatment. In conclusion, he considered that a breakthrough had been made toward launching a new round of trade negotiations and that a mechanism should now be established to allow informal consultations to carry the process further.

The representative of Japan welcomed the emergence of a consensus on the need for a new round of trade negotiations. It was natural that at this stage of the discussions there should be considerable differences

in position between countries, and it was important that rapid progress should be made in resolving them. His Government could not accept that trade negotiations should be limited to trade in goods only, and he doubted that it was useful to approach a new round by setting preconditions. These matters would have to be discussed. In the view of the Japanese Government a new round of trade negotiations should have three aims: it should lead to the removal of all bilateral, discriminatory and illegal trade restrictions, and to the restructuring of the trading system based strictly on GATT rules; it should recognize the priority needs of developing countries; and it should adapt the GATT to new global economic and trade structures, including trade in services, which otherwise would be subject to bilateral agreements. The trade-finance link was important, and ways of improving the functioning of the international monetary system would be discussed formally at the Annual Meeting of the IMF. However, trade negotiations should not be delayed while reforms to the international monetary system were considered.

The representative of Australia welcomed the constructive statements that were being made and cautioned against adopting positions with respect to the new round from which it might later prove difficult to retreat. The momentum for launching a new round was developing but it should not be precipitated.

The representative of Switzerland said that it had not proved possible to deal definitively with many aspects of the Ministerial Work Program through debate, and it was now necessary to turn to negotiations to continue the progress that had been made. Careful preparations for the new round were needed, and his Government considered it important that the agenda should cover all areas of trade, including services, as well as the improvement of trade rules particularly on safeguards and subsidies.

The representative of Austria welcomed the statement of the 22 developing countries as constructive. His Government could agree with much of this statement, including the need to continue work on the Ministerial Work Program in parallel with trade negotiations. It was keeping an open mind on the appropriateness of including trade in services in a new round.

The representatives of Canada and New Zealand considered that the new round should emphasize the liberalization of trade in agricultural products, natural resource products, and services, and should strengthen GATT disciplines on safeguard measures.

The representative of the United States expressed pleasure that a constructive dialogue had begun on launching a new round, and said he could support many of the points made in the statement of the 22 developing countries. He did not agree, however, that negotiations should

be limited to trade in goods, nor that special and differential treatment or unilateral concessions to developing countries could be provided indiscriminately. In his view, the Ministerial Work Program had been useful in highlighting areas where trade rules needed to be strengthened, and this as well as trade liberalization should be at the centre of negotiations. He proposed that a senior-level officials' meeting be convened as soon as possible, and preferably in July, to discuss the agenda, procedures, and modalities of the new round. He envisaged that the meeting would be only the first of several, and said that participation in the meeting would not commit contracting parties to enter into trade negotiations; each would be free to make that decision when the preparatory work had been completed.

The representatives of most industrial countries supported the convening of a senior-level officials' meeting as soon as possible, and in any event no later than the end of the summer, in order to maintain momentum and deepen the dialogue on all elements of the new round. However, the representatives of some developing countries were not prepared to agree for the time being that a senior-level officials' meeting was necessary, and they supported further discussion only in the GATT Council where all contracting parties were represented and where the proceedings would therefore be fully transparent. The Council finally agreed that the Chairman and the Director-General of GATT would hold informal consultations to explore further the need for, and timing of, a senior-level officials' meeting.

b. Saudi Arabia--request for observer status 1/

The Council approved, without comment, the request by Saudi Arabia for observer status in the GATT Council. The representative of Saudi Arabia said that his Government was contributing constructively to the work of other international organizations, including the IMF and the World Bank, and wished now to examine the work that was underway in GATT in order to decide whether to become a contracting party. Saudi Arabia maintained low import restrictions because of his Government's strong belief in the principle of free trade.

c. Dispute settlement

(1) Japan--measures on imports of leather 2/

The representative of the United States noted that the follow-up on the Panel report of this dispute had already been discussed in Council many times, but that his Government was still not satisfied with the reponse of the Japanese authorities in lifting their restrictions on

1/ GATT document L/5800.

2/ GATT documents C/W/474 and L/5623.

imports of leather and leather goods. He was therefore instructed to refer the matter back to the CONTRACTING PARTIES under paragraph 22 of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement, and Surveillance in order to seek an appropriate solution. The representatives of Argentina, Australia, Brazil, Canada, the European Communities, India, New Zealand, Uruguay, and Yugoslavia also criticized the slowness of the Japanese authorities in implementing the Panel's recommendations, and expressed interest in participating in paragraph 22 consultations.

The representative of Japan said that the Japanese leather industry posed a difficult social problem for his Government, and asked that no decision be taken on the matter until the next Council meeting. The Council agreed to this request.

- (2) European Economic Community--tariff treatment on imports of citrus products from certain countries in the Mediterranean region 1/

The representative of the United States said that this Panel report had been discussed at length, and he asked whether the European Communities were yet able to accept adoption of the report and to offer a practical solution to the dispute. The representative of the European Communities stated that he was still not able to accept adoption of the report because of the questions it raised about Article XXIV agreements in the GATT. The representatives of Austria, on behalf of the EFTA countries, and Malta also opposed adoption of the report. The representative of the United States said that his Government would seek a solution to the problem outside GATT.

- (3) European Economic Community--production aids granted on canned peaches, canned pears, canned fruit cocktail, and dried grapes

The representative of the European Communities said that he was unable to accept adoption of the Panel report at present, and asked that the Council revert to the matter at its next meeting. The representative of the United States expressed hope that the report would be adopted at the next meeting.

1/ GATT documents C/W/462, C/W/465, C/W/468, and L/5776.

IMPROVEMENT OF WORLD TRADE RELATIONS*

1. Less developed contracting parties to the GATT recall their statements to the Council of Representatives (L/5647 of 4 May, 1984) and to the Fortieth Session of the CONTRACTING PARTIES (L/5744 of 28 November, 1984) and maintain that the suggestions contained therein constitute the most appropriate way of preserving the multilateral trading system based on the General Agreement, restoring normalcy and symmetry in trade relations between developed and developing countries and bringing about genuine trade liberalisation within the framework of the multilateral trading system, which is essential for the welfare and prosperity of all contracting parties.

2. Less developed contracting parties have in these statements emphasised the urgent need for confidence-building measures to restore credibility to the multilateral trading system based on the General Agreement, firmly believing that the preservation of the system is a pre-requisite for its strengthening. For this purpose, they have been calling for tangible progress through implementation of previous commitments undertaken by the developed contracting parties. Less developed contracting parties note that very limited concrete action has been forthcoming on the measures proposed for implementation of the Work Programme of GATT which has further exacerbated the international trading environment particularly to the detriment of the developing countries.

3. Less developed contracting parties to the GATT have also noted that while the basic task of preserving the multilateral trading system continues to be neglected, the attention of major trading partners is being increasingly focussed on planning events which by themselves cannot lead to solutions. New themes alien to the jurisdictional competence of GATT are being systematically promoted at the expense of the central area of responsibility of the General Agreement. As a result, the implementation of the Work Programme of 1982 has come to a virtual halt particularly in areas of interest to developing countries. While the pace of work is sought to be accelerated in programmes relating to new themes, the possibility of even modest progress on such long outstanding issues in the areas of tropical products, textiles, quantitative restrictions, agriculture and safeguards is being denied on the questionable ground that further progress in these areas could be possible only in the context of wider trade negotiations.

* Statement by the representative of India, on behalf of 22 developing contracting parties to the GATT.

4. Less developed contracting parties would like to recall that they had indicated in their statement to the Fortieth Session of the CONTRACTING PARTIES that if developed contracting parties were to comply with their undertakings, particularly those of the GATT Ministerial Declaration and Work Programme of 1982, less developed contracting parties would be in a position to consider taking the initiative of proposing specific trade negotiations in GATT, the basic objective of which, from their standpoint, would be the significant enlargement of access for developing countries' exports to the markets of developed countries, which, in turn, would enable developing countries to expand their capacity to absorb higher levels of imports from the developed countries and thus lead to mutually beneficial expansion of world trade.

5. Less developed contracting parties maintain that their approach is informed by the fundamental objective of removing the asymmetry in trade relations between developed and developing countries which has resulted from the non-observance of the General Agreement as a whole. This approach implies a proper sequence of actions which is essential for restoring the credibility of the multilateral trading system based on the General Agreement.

6. Less developed contracting parties note that developed contracting parties have recently, in different fora, called for or supported the idea of a new round of multilateral trade negotiations. The objectives and agenda for such a round seem far from clear. There is little evidence to show that this would reduce or eliminate the basic asymmetry in trade relations between developed and developing countries. There are, however, indications that these negotiations would go far beyond the charter of GATT and divert attention to new themes alien to the jurisdictional competence of the General Agreement. Furthermore, the move is characterised by an undue emphasis on event planning and is devoid of concrete and demonstrable action towards fulfilment of the previous commitments which alone can restore the credibility of the multilateral trading system.

7. Less developed contracting parties who have a high stake in the preservation of the multilateral trading system can ill-afford to ignore the proper perspective for trade negotiations, nor can they overlook the crucial importance of the sequence of actions to restore the credibility of the system. They would, therefore, be prepared to make a proposal for specific multilateral trade negotiations confined to trade in goods only, to be conducted under the terms of the relevant provisions of the General Agreement. These negotiations should cover manufactured and semi-processed goods, natural resource products and

agriculture, with particular emphasis on the substantial liberalisation of the latter. The negotiations should encompass the totality of tariff and non-tariff barriers. In addition to securing significant enlargement of access for developing countries' exports to the markets of developed countries, these negotiations must ensure effective protection and enforcement of the rights of developing countries. Techniques and modalities for such negotiations should, therefore, be established, inter alia, to concretely quantify, to the extent possible, the application of the GATT provisions on special and more favourable treatment for developing countries.

8. Liberalisation of trade can and should be pursued, as a first priority, through individual and autonomous actions. Considering the absence of action in areas long demanding urgent solutions, and in order to ensure that these specific multilateral trade negotiations are carried out in the correct perspective and follow a proper sequence of actions, less developed contracting parties seek agreement on the following actions to be undertaken before the specific negotiations envisaged by them could be launched:

A. Individual measures to stop and reverse protectionism:
Stand-still and Roll-back

A firm and credible commitment supported by appropriate legislative sanction where necessary:

- (i) not to introduce any new restrictive trade measures inconsistent with GATT or not based on the General Agreement, it being understood that measures based on specific GATT provisions must conform fully with the provisions invoked;
- (ii) to roll-back measures inconsistent with the General Agreement either by elimination forthwith or, at least, through a phase-out in accordance with a time-bound programme to be submitted to GATT.

The GATT Council shall monitor the observance of the stand-still commitments and the implementation of the roll-back undertakings.

B. Other areas of special interest to less developed contracting parties, where multilateral action is urgently needed:

Recalling that successive rounds of trade negotiations failed to ensure adequate benefits for developing countries and

noting the accentuation of their adverse trade situation on account of further intensification of restrictive measures against their exports to developed countries in disregard of the Ministerial Declaration of 1982, less developed contracting parties maintain that there must be prior commitments from developed contracting parties in regard to the following issues:

- (i) Recognising the unsuitability of the Multi-Fibre Arrangement as an instrument for the regulation of international trade in textiles and clothing, a categorical and unconditional commitment by the importing countries to the full application of the rules and principles of the GATT as constituting the first step for meaningful negotiations in the area of textiles and clothing trade. In this context, actions must be directed to a significant and substantial liberalisation. Moreover, the protectionist measures introduced since the Ministerial meeting of 1982 should be rolled back forthwith.
- (ii) A short and special timetable should be established for liberalisation in the areas of tropical products and quantitative restrictions and other non-tariff measures which affect the exports of developing countries in the markets of developed countries, as well as for reduction of tariff escalation. Action in these areas and products must be concluded prior to, and independently of the results of negotiations on other products.
- (iii) GATT disciplines on subsidies must be strictly observed. Subsidies when used should not adversely affect the interests of developing countries. Utmost restraint under suitable GATT surveillance should be exercised in the use of export subsidies which compete with the exports of developing countries to third country markets.
- (iv) Utmost restraint under suitable GATT surveillance should be exercised in taking recourse to countervailing and anti-dumping procedures against imports from developing countries, and in initiating new procedures. Such procedures should, under no circumstances, be instituted against imports subject to quantitative restrictions.

- (v) A comprehensive agreement on safeguards based on the provisions of the General Agreement must be concluded within an agreed timeframe, such an agreement being fundamental to the preservation of the multilateral trading system and for securing the results of any further liberalisation efforts.
- (vi) Dispute settlement and enforcement mechanism should be improved with a view to introducing greater equity and thereby to protect the rights of less developed contracting parties.

C. Special rules for the implementation of provisions on differential and more favourable treatment for developing countries:

The principle of differential and more favourable treatment for developing countries is an integral and inalienable part of the General Agreement and, of the MTN Codes and, as such, must be strictly adhered to. Recalling that developed countries have agreed not to expect reciprocity and that they shall, therefore, not seek, neither shall less developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs, it is necessary to ensure that techniques and modalities for such negotiations be devised to quantify, to the extent possible, the application of GATT provisions on special and differential treatment for developing countries in concrete situations where concessions are exchanged between developed and developing contracting parties. Special attention shall be given to the particular situation and problems of the least-developed among the developing countries.

* * *

Linkage between development, trade, money and finance.

9. The linkage between development, trade, money and finance is widely recognised. Less developed contracting parties express grave concern over the decline in the flow of financial resources to developing countries, the debt situation, the high level of interest rates, the misalignment and volatility of exchange rates and stringency in liquidity, on account of which the economic and financial situation in developing countries remains severely constrained. They share the view that solutions to imbalances whose origin lies in the monetary and financial areas cannot be

found in trade negotiations and that determined and concerted action is, therefore, required in the monetary and financial fields. Less developed contracting parties also seek agreement on the following commitments before specific multilateral trade negotiations can be launched:

- (a) to start a parallel process to review and reform the international financial and monetary system to be conducted in appropriate fora to be agreed upon by all interested countries;
- (b) to examine in depth in GATT all the effects of exchange rate fluctuations on international trade.