1. The Consultative Group of Eighteen held its twenty-third meeting on 4-6 April 1984. The annotated provisional agenda was circulated in CG.18/W/78 and the list of participants in CG.18/INF/24.

2. The agenda was as follows:

1. Subsidies in GATT
2. Trade Policy and the International Financial System
3. Other Business

Item 1 - Subsidies in GATT

3. The Chairman said that the problem of subsidies had become in recent years a source of particular difficulty in international trade relations. Moreover the efforts of the contracting parties to clarify disciplines in this area, through the negotiation of the Subsidies Code, had not yet produced all the results that were hoped for. The table reproduced as Annex I to the document CG.18/W/79 showed the marked rise in public subsidies as a percentage of GNP that had taken place in the industrial countries since the beginning of the 1970s, and there was no reason to believe that the situation in developing countries would be much different. What was more directly relevant for the GATT as an indication of the growing scale of the problem was the striking increase in the number of trade disputes which have arisen, directly or indirectly, from the use of subsidies. By no means all of these disputes, even the most important among them, had come formally before the GATT: one of the most disturbing factors of the situation was that some major problems in this area, with great potential for damage to third parties and to the trading system, were not being considered at the multilateral level. However, even if one looked only at the cases which have reached the GATT formally in the shape of disputes, the picture was striking enough.

4. The question which the secretariat paper posed, if it could be summed up in a few words, would be as follows: are the undoubted problems which have arisen in the subsidy area, and their apparent proliferation, mainly the result of economic pressures which have caused governments to resort to such measures as a means of capturing or holding on to market shares? Or are they an indication that the GATT provisions relating to subsidies and related measures, even as supplemented by the Subsidy Code, are still in need of improvement or clarification?

5. The Group agreed that in view of the growing awareness of the problems subsidies were causing in international trade relations it was appropriate that the Group pay special attention to them, but that it could not
substitute itself for the Committee on Subsidies and other specialized bodies in the GATT. The discussion therefore concentrated on the broader issues, including political and social considerations.

6. The secretariat paper was in general found to be useful, but a number of comments were made on specific points. One speaker considered that it was inappropriate and simplistic to distinguish, as the paper did, between infant and senile industries, particularly in the complex industrial structure of developed economies. For example, high technology was not a preserve of new industries alone, but a vital element in revitalizing older industries. Another speaker had some doubt whether subsidies were often sought as a means of protection by what he called "sun-set" industries. He considered that these industries were much more likely to seek protection in the form of quantitative restrictions or increased tariffs.

7. A number of speakers questioned the accuracy, utility and feasibility of statistical comparisons between countries such as the one reproduced in Annex I to CG.18/W/79. Others considered that whatever the defects of the statistics there was a clear trend towards growing use of subsidies. One speaker recalled that during most of the post-war period there had been a tendency to reduce trade barriers applied at the border while subsidies had increased. Recently however a disturbing element was that both subsidies and other trade barriers were increasing.

8. The point was made that the proliferation of subsidies was in part a consequence of economic crisis. In present circumstances all countries had to resort to one or another form of subsidies, and some of these could be justified in social terms - or even in economic terms, if they had the effect of promoting economic activity or technical progress. Examples were adjustment assistance intended to change industrial structures by phasing out obsolete industries or making them more competitive, and Governmental help, through research and development activities, in introducing new technologies.

9. Several speakers also stressed the rôle of subsidies in the economic development of developing countries; the low level of industrialization and lack of capital in some countries left no choice but to undertake certain programmes subsidized by governments, and the Subsidy Code had recognized that subsidies were an integral part of the economic development programmes of these countries. Furthermore most of these subsidies were not trade distorting but, by increasing income, had rather a trade creation effect.

10. Divergent opinions were expressed on the relationship, which all admitted to be close, between subsidies and structural adjustment. Some members, although not denying the adverse effects subsidies might have on the adjustment capacity of an economy, pointed out that increasing competition and rapid changes in technology faced some industries with very abrupt adjustment requirements. It was justifiable to use subsidies in some of these cases to smooth the adjustment process and to give these industries a "breathing space", especially if this enabled them to improve their ability to compete. The problem, however, was to ensure that the "breathing space" was used to bring about necessary changes.
11. However, others were of the opinion that it was very difficult if not impossible to use subsidies to facilitate adjustment. In practice they tended to become permanent, through the creation of vested interests, as a more or less covert form of protection. They thus developed a dynamism of their own, the initial objectives being forgotten, and delayed or prevented adjustment by biasing production structures towards inflexible and uncompetitive firms or sectors. Their use by developed countries frequently obliged others, in particular developing countries, to follow suit, notwithstanding the negative experience developed countries had with subsidies.

12. It was widely felt that one of the most disturbing aspects of the proliferation of subsidies was their adverse effects on international trade. Even when applied as domestic policy measures they often affected the trade sector, distorting competition and causing prejudice to trading partners. For this reason it was impossible to make a clear distinction between subsidies having and not having trade effects. Export subsidies in particular caused serious prejudice to the interests of efficient producers and were at the root of many trade conflicts. These effects were particularly visible in agricultural trade, where protection and subsidies had led to huge surpluses which were being dumped on world markets, at heavily subsidized prices, to the detriment of more efficient producers. The prevalence of depressed prices and of artificial competition had specially detrimental effects on agriculture in developing countries. It sometimes forced them to subsidize their agricultural exports in turn, but in most cases even this remedy was not available because of scarce financial resources.

13. Some speakers pointed out that subsidies might be more necessary for those countries which had bound practically all of their tariffs, thus depriving themselves of means of protection easily available to other countries. Nor was it necessarily true that tariffs were better or less distorting than subsidies: in some cases subsidies would be a more appropriate instrument to correct existing distortions. Subsidies should therefore be seen as one of the policy instruments available to governments the choice between which would depend on considerations which were not purely economic but had broader political or social dimensions.

14. References were made to efforts undertaken at national level to limit the use of subsidies: it was pointed out that in many countries growing budget deficits had imposed constraints in this field. Some members however, while welcoming the constraining effects of budget deficits, said they would be very concerned if this, rather than understanding of its negative effects, were seen as the main reason to limit subsidization.

15. Several speakers noted that many subsidy measures had not been notified in GATT, and that there was growing use of disguised forms of subsidies, in particular through tax reliefs and subsidized credit rates. The importance of transparency for the functioning of the GATT system, and the need for notification of all subsidy measures was stressed. It was regretted that only thirty contracting parties had submitted notifications under relevant GATT procedures, but one member pointed out that as one important trading country was, in some cases, imposing countervailing duties on the basis of the existence of a subsidy without an injury test, countries to which such a test was not applicable might be reluctant to notify their subsidies. Another speaker said that the obligation to notify subsidies had nothing to do with countervailing duties but resulted from GATT provisions applicable to all contracting parties.
16. On the question whether or not existing GATT rules on subsidies were adequate, several speakers considered that they left too much room for divergent interpretations. The Subsidies Code too had not always been found to give clear guidance on the definition of a number of key concepts: subsidies and export subsidies; primary and non-primary products; "a more than equitable share of world export trade"; and price undercutting. These therefore required further clarification and agreed interpretation.

17. One speaker said that disciplines relating to primary products could not rest exclusively on criteria based on the effects of subsidies. It was difficult to demonstrate a causal link between subsidy and prejudice and easy to advance differing interpretations. Interpretations which would allow subsidization of primary components of exported processed products would be dangerous, since all manufactures have primary components. He and some other speakers also referred to a dispensation provided under the Subsidies Code with regard to export credits. The rules on this matter were related to agreements signed outside the GATT and therefore not subject to GATT disciplines, and in whose negotiation a number of signatories of the Subsidy Code could not participate.

18. It was also said that the Subsidy Code contained some other inadequacies important from the point of view of developing countries. For example, provisions allowing remission of indirect taxes in respect of exported products were of little use for many of those countries because of the complexity of their tax systems. The view was expressed that the relative under-development of the agricultural sector in developing countries would justify special treatment for these countries as far as subsidies on primary products were concerned.

19. Other speakers questioned the view that GATT rules were inadequate, considering that the main problem was a lack of political will to abide by existing obligations. One speaker said that some countries realized only after signing the Subsidies Code that they did not or could not accept its disciplines, and then developed the dangerous practice of criticizing the rules without really trying to implement them.

20. A number of speakers expressed doubt whether improved drafting of the GATT and Code provisions would solve the problem without a basic consensus concerning disciplines on the use of subsidies that may have prejudicial effects on trade. If such a consensus could be achieved it should not be difficult to mould it into effective disciplines.

21. It was said that the problems in this area, although important, were only symptoms of the more basic question of the conditions of competition, which had changed over the years so that there was no longer a consensus on the meaning and limits of competition and the respective roles of governments and the private sector. It was suggested that the CG.18 might initiate a discussion on the definition and scope of competition in the sense of the General Agreement.

22. Concerning the level of subsidies, it was suggested that one of the first steps towards resolution of trade conflicts would be to reduce the level of support given to various economic activities, in particular in the field of agriculture. It might be impractical to speak at this stage about complete elimination of subsidies, but at least efforts should be undertaken towards their progressive reduction.
23. One speaker said that there were dangers in looking at subsidies from a sectoral point of view. Apart from the Subsidies Committee, the main forum for discussion in the GATT had been the Agriculture Committee and he had the impression that attitudes in this Committee were different and less flexible than elsewhere in the GATT. He therefore suggested that arrangements should be made to ensure that all aspects of subsidies be discussed in one forum.

24. The Chairman said that the discussion had confirmed the existence of growing concern among contracting parties about subsidies, which even when used for domestic objectives were capable of causing friction and conflicts in international trade relations. There had been general opposition to the misuse of subsidies and an awareness that they should not be allowed to distort international competition. At the same time there had been a clear indication that the realities of the world were such that it would be impossible to settle the problem by a stroke of the pen. It was therefore important to reflect how to avoid a situation where world trade would be conducted less in response to normal market forces than on the basis of competitive subsidization.

25. He added that although there had been differing views on the degree to which the GATT rules needed improvement there was a common feeling that, at the operational level, they were not working very well. The discussion in the Group should therefore encourage the contracting parties to push forward the work going on on these problems. The GATT rules themselves and the Subsidy Code reflected a compromise; the main question before the contracting parties was whether this compromise was a good one in the present circumstances. If the answer was yes, then the contracting parties should be encouraged to make the best use of the rules and when necessary to clarify the areas of misunderstanding. For example the discussion had shown that in the present world the relationship between internal and external policies was such that it would be very difficult to draw a dividing line, and although the GATT rules tried to address these issues there was certainly a need to clarify their meaning and application in this respect.

26. There was also general agreement that further efforts should be made to improve transparency in the use of subsidies. Such efforts should not be compromised by any secondary effects of improved transparency on the use of countervailing duties. All these problems were under consideration by appropriate GATT bodies and the CG.18 could revert to them whenever it appeared that there was a need for discussion at this level. Some of the problems discussed at this meeting would no doubt recur in the discussion of structural adjustment at the next meeting.

Item 2 - Trade Policy and the International Financial System

27. The Group had discussed this subject at its last two meetings on the basis of papers by the secretariat (CG.18/W/74 and CG.18/W/76). For the present meeting, the report of the Chairman of the Balance-of-Payments Committee to the Council (C/125), reflecting the results of his consultations regarding ways in which matters relating to the link between trade policy and international finance could be pursued within the framework of the work of that Committee, had been made available.
28. Introducing the discussion, the Chairman observed that since the last meeting of the Group, he had had an extended discussion of the trade/finance link with the Managing Director of the International Monetary Fund of the World Bank, in which he drew heavily on the views which had been expressed in this Group. In particular, he had underlined the strongly held view that trade problems and trade negotiations should be dealt with under the aegis of the GATT and that in all such efforts great care should be taken not to infringe the multilateral principle. He believed that as a result of this discussion there was better mutual understanding of the positions of the GATT, the Bank and the Fund, and greater coherence between these positions. Both the Fund and the World Bank were presenting studies of the role of trade in the international adjustment process to the forthcoming meeting of the IMF/IBRD Development Committee, and he thought it could be said that these papers reflected the increased understanding of these two institutions of the functioning of the GATT system.

29. The Chairman further observed that in his view three main points had emerged from the examination of these issues in the GATT so far:

- First, although there was an obvious link between the trading environment and problems of balance-of-payments financing, there was no necessary operational connection between the handling of these problems by the international financial institutions and by GATT in their respective fields of competence.

- Second, there was general agreement that any action in the trade field must be consistent with GATT m.f.n. and other principles and procedures, and that resort to bilateral trade measures in the attempt to solve financial problems would be likely to make the general situation more rather than less difficult.

- Third, public discussion of the trade/finance link had raised expectations about the role of GATT in helping to redress the situation of heavily indebted countries through the improvement of the trading environment. It was not enough to say that trade liberalization must be carried out under the aegis of GATT and in accordance with GATT principles; we had also to show that there was a prospect that the expectations which had been raised could be fulfilled.

30. The Chairman suggested that the discussion at the present meeting should focus on what practical possibilities there were for action, and over what time-scale.

31. Referring to his extensive informal consultations on ways in which matters relating to the link between trade policy and international finance could be pursued within the Balance-of-Payments Committee, the Chairman of the Committee, Mr. Feij, observed that the following conclusions had emerged from these consultations:

- The Balance-of-Payments Committee did not need new or extended terms of reference to give greater weight to the trading environment confronting consulting countries. Article XII of the General Agreement itself stated that "due regard should be given to any special external factors adversely affecting the export trade of the contracting party applying restrictions".
Paragraph 12 of the Declaration on Balance-Of-Payments Measures adopted at the end of the Tokyo Round instructs the Committee, if a developing consulting country so desires, to give particular attention to possibilities for alleviating the balance-of-payments problems of that country through measures that other contracting parties might take to facilitate an expansion of its export earnings.

Secondly, any action taken in this context should be consistent with the principles of multilateralism. This did not, however, imply that such action cannot focus on the interests of a particular group of countries since the great majority of the heavily indebted countries which were taking trade measures were developing countries to which the provisions of Part IV and those of the 1970 Decision on Differential Treatment may be applied. It was not contrary to multilateral principles to select action on particular measures or products which would be of special benefit to a consulting country as long as such action was implemented in a non-discriminatory manner. The fact that in some cases such selective action might also benefit other developing countries (who in many cases are also experiencing balance-of-payments difficulties) did not seem a convincing reason to refrain from action. The abolition of discriminatory measures, where they may still exist, would be a move towards and not away from multilateral principles.

Thirdly, no support was found for the suggestion that measures relating to trade policy agreed upon under standby or extended facility arrangements with the IMF should be notified as such to the GATT, or for the implication of a formal link between such measures agreed with the Fund and a possible response in the form of trade action by other contracting parties. In the absence of a quid pro quo approach, the logical conclusion was that any action taken by other contracting parties should have an autonomous character. There also appeared to be a consensus that such action should in principle be temporary and would not prejudge the outcome of ongoing more comprehensive programmes undertaken by other GATT bodies or for that matter of any future negotiations.

Finally, that irrespective of the causes of their balance-of-payments difficulties the indebted countries' capacity to repay their debts largely depended on the possibility to expand their exports (given the fact that most of them had only very limited possibilities to improve their current account position by other means). There seemed to be an increasing tendency in other international institutions to link the problems of trade and finance. If the GATT wished to make a contribution to the resolution of these problems, the institutional and procedural machinery was available and so were the legal provisions which permitted action to be taken.

32. In an extensive discussion, members of the Group strongly supported continuation and strengthening of the role of the Balance-of-Payments Committee in identifying and highlighting external factors adversely
affecting the export trade, and consequently the balance-of-payments position, of the consulting countries. The suggestions made by the Chairman of the Balance-of-Payments Committee in his report to the Council (C/125) were widely endorsed. One member suggested that the secretariat should have a larger role in assisting consulting countries to prepare themselves for the consultations.

33. Some members welcomed closer contacts between the IMF and GATT secretariats, which could only help the two secretariats to get a clearer picture of the situation in their respective fields of work. Others however took the view that the existing level of coordination and cooperation between the IMF and GATT in the context of the link between trade policy and international finance was already adequate: any attempt to link the solution of very difficult international finance and monetary issues with that of problems in the field of trade, would be likely to complicate the issues further and make the work of GATT more difficult. It was suggested that such a link could disturb the balance of rights and obligations on which GATT was based. At the root of the problems of international finance was the question of reforming the international financial institutions, and these problems could only be adequately dealt with at a global conference.

34. It was observed that any trade policy measure taken by developed countries to alleviate the burden of consulting debtor countries, would have to be meaningful and effective, if the process was not simply to raise hopes and expectations without fulfilling them. Such actions would also have to have due regard to the principle of non-discrimination. One member thought that it was necessary to deal with the problem of import restrictions maintained by developed countries in the interest of all developing countries, and not simply of countries which consulted under Article XVIII. Another member observed that indebtedness and the link between trade policy and international finance should not be considered as exclusively north-south questions. He also emphasized that the terms of debt servicing arrangements and economic policy prescriptions for debtor countries coming from the IMF or the Paris Club should be such as to preserve the capacity of the debtor countries to maintain a minimum necessary level of imports.

35. One member considered that special trade policy measures responding to the pressing needs of the debtor countries facing serious balance-of-payments difficulties would be essentially temporary in character. They would also be entirely unilateral and autonomous, reflecting the willingness of the developed creditor countries to cooperate with their developing partners. He added that while trade policy measures would alleviate the burden of the developing debtor countries to some extent, they alone could not solve the problem. International financial and monetary organizations could not escape the burden of the solution of financial problems by simply relying on trade expansion. Appropriate financial measures would have to be taken: any country which had a debt higher than its export trade would benefit much more from a reduction of interest rates, for instance, than from any comparable increase in its exports. In the long run, of course, the solution did lie in the trade field, since it was only through enlarged exports that debt could be serviced, but trade did not offer a short-term solution.
36. The point was made that liberalization measures taken by developed countries with a view to improving market access for developing countries, and in particular the heavily indebted among them, would also benefit the developed countries themselves; not only would such measures help debtor countries to service their debts, but they would also enable them to import more from developed trading partners — provided that general trading conditions were such as to encourage policies based upon export expansion rather than import substitution.

37. One member observed that in the absence of favourable conditions for international transfer of capital, expansion of international trade was possible, in principle, only if it was balanced in the long run. Therefore, if there had been an imbalance of trade in favour of the developed creditor countries during a certain period, these countries should now follow less restrictive policies towards imports from debtor countries, so as to create a surplus in their favour and restore the long-term balance. Debtor countries would otherwise be forced to limit their own imports, thus curbing international trade.

38. Another member suggested that besides reduction of tariffs and other trade barriers, developed creditor countries should as far as possible avoid recourse to safeguard, countervailing and anti-dumping actions against exports from developing debtor countries. Another speaker however demurred. His government did not believe that the proper and transparent use of the provisions of their laws in regard to such actions was protectionist. The provisions were there to remedy unfair trade practices.

39. Members from some developed countries observed that they accepted the responsibility of the developed countries to liberalize access to their markets for exports from developing countries, to enable them not only to repay their debts but also to sustain the process of economic development. They were already trying to meet this responsibility to the greatest extent that was economically and politically feasible. However, this positive attitude could only be sustained politically if the debtor countries also maintained relatively open and liberal trade policies and enlarged trade opportunities for their trading partners. If, as their positions improved, they were to reduce trade opportunities for their partners by recourse to import substitution strategies, it would lead to dangerous disillusionment with the whole process of trade liberalization in their favour by the creditor countries. One member from a developing country however remarked that import substitution policies designed to mobilise unemployed factors of production could contribute to growth in the economies of developing countries which would in turn generate a higher rate of growth of imports.

40. One member remarked that the present financial crisis reflected the cummulative outcome of a number of economic trends that have been operating concurrently since the 1930s or even earlier: low elasticity of demand for commodities, in primary or processed forms, in the developed countries; protectionism in the commodity sectors in these countries and a higher rate of growth of production than of trade; creation of large surpluses in developed countries which were off-loaded on the international market; consequent decline in commodity prices and in the terms of trade of developing countries dependent on exports of commodities. These trends, compounded by two oil crises and cyclical economic downturns, had
inevitably created serious financial problems for countries dependent on exports of commodities. The policies of countries whose currencies had an international character also had a direct bearing on the situation. The combination of large budget deficits with restrictive monetary policies, high interest rates and currency overvaluation had greatly exacerbated the debt problem. Such countries had the responsibility to bring their budget deficits under control, and to ensure transfer of sufficient resources to developing countries faced with financial crisis.

41. Some members observed that while the very large trade deficit of the United States was undoubtedly a positive contribution to the economic recovery of other countries, its continuation might generate very strong pressure in the United States for drastic protectionist measures.

42. The member from the United States agreed that the US trade deficit could not be sustained indefinitely. However, despite the understandable Congressional concern in regard to it, the Administration had taken the risk of a conscious decision not to adopt general trade restrictive measures, as a means of correcting this imbalance. They had also very largely succeeded in resisting protectionist pressures from specific industries. This was a clear reflection of their positive attitude towards the efforts of the debtor developing countries to maintain and enlarge their trade surplus with the United States. They were hoping that the recovery of the US would generate recovery in other countries as well, leading to higher export demand that would correct the overall imbalance in the long run. It was very much to be hoped that the Administration would not be faced with a situation, domestic or international, that would undermine their willingness to go on sustaining the deficit.

43. The Chairman remarked that the GATT's Annual Report on International Trade would consider how the US deficit provides increased trade opportunities for others, the distribution of this surplus among exporters to the US, and the types of products which are sucked into in the US market. Some US export industries were clearly having to fight hard to maintain their competitiveness in present conditions, and were therefore going through an adjustment process, but this implied that they would emerge with formidable strength once the value of the dollar declined.

44. In conclusion the Chairman observed that his comments on the question of closer cooperation between the GATT secretariat and the secretariats of the World Bank and the IMF were intended to refer to more frequent meetings between the heads as well as the staffs of the three institutions, with a view to the efforts that the three institutions could make to sensitize their different constituencies to the problems which had been discussed today. However, discussion in GATT of the broader macroeconomic situation and of the inter-linkages between trade policy and the problems of international finance did not mean that the GATT wished to stray outside the proper purview of its own charter, or to negotiate problems which belonged to the purview of the Bank or the Fund. By the same token, it was useful and necessary that the Bank and the Fund, and the financial community in general, should be fully informed of our concerns in the field of trade policy, so that they could deal with problems of international finance and development with due regard to trade policy considerations. In this context it was important to correct any impression that problems of trade policy could lend themselves to easy or quick solutions, and he believed that the development of closer contacts with the Fund and Bank staffs had been useful in this.
45. The Chairman observed that a crucial stage was being approached in the implementation of the work programme adopted by Ministers in 1982. The importance of the work programme, which covered all the major problems of the trading system, had become more evident as time had passed. He regarded its implementation as the priority for work in GATT this year, and its follow-up next year as equally important. It would require a great effort to complete the implementation in time for the November Session of the CONTRACTING PARTIES. However, the effort had to be made, and it was suggested that the CG.18 be fully informed of progress. He therefore suggested that the implementation of the work programme should also figure on the agenda of the next meeting of the CG.18.

46. A number of members expressed disappointment and concern at what was considered unsatisfactory and insufficient progress in the implementation of the Ministerial work programme. It was remarked that while work in the Committee on Agriculture had advanced considerably, progress in certain other Committees had been painfully slow. One member suggested that much of the credit for the progress achieved in agriculture was owed to the Chairman, who had given leadership and a sense of direction to the work of the Committee, and that other Committees would also benefit from more aggressive leadership. The Director-General and the secretariat also had a part to play in this. Perhaps the Study Group appointed by the Director-General could also make a contribution to progress. Another member was of the view that the inertia in the work of many of the Committees was owing not so much to lack of initiative or leadership on the part of their Chairmen, or of zeal on the part of the Geneva delegations, as to the fact that delegations were often hamstrung by narrow and rigid briefs received from capitals, and were therefore unable to work towards consensus solutions.

47. A number of members remarked that the credibility of GATT as an effective framework to safeguard and promote the open multilateral trading system was at stake. Already, there had been a considerable erosion of confidence in the GATT, and failure to implement the Ministerial work programme (which embraced all the important areas in which problems needed to be resolved) could result in irreparable damage to the system and to GATT as its institutional expression. The point was made that economic recovery could not be expected to lead automatically to trade liberalization; protectionism was becoming stronger and protectionist actions were proliferating despite the emerging recovery and the decline in unemployment. These trends underscored the importance and urgency of finding real and substantial answers to the problems identified in the work programme, however difficult and complex they were, if the system was to survive. Mere "optical solutions" would do more harm than good.

48. One member remarked that it was a mistake to try to evaluate progress in the implementation of the Ministerial work programme from the status of work in individual Committees. The position had to be appreciated in a wider perspective. The Ministerial Declaration comprised broad commitments of a political nature (such as adherence to the principles and disciplines of the General Agreement, and resistance to protectionism), certain commitments of an operational nature, and a work programme in certain specific areas in which progress appeared to be possible. The work programme was part of the
whole and could not be separated from the general context. In attempting an evaluation of a somewhat mechanical nature, the qualitative aspect was being left aside. He believed that important progress had been achieved since the Ministerial meeting in resisting protectionist pressures and in reversing unsatisfactory trends, as witnessed the widespread talk of a "roll back" of protectionism. These qualitative changes had given the necessary signal to economic operators at large of the renewed commitment and determination of the contracting parties to preserve and defend the open multilateral trading system. Even in individual areas of the work programme, in his view, considerable progress had been achieved. Remarkable progress, virtually amounting to a breakthrough, had been achieved in the relatively difficult area of Agriculture, opening serious possibilities that something substantial could be accomplished. In other areas also there were a whole series of indications of a maturation of policies and of minds which could help prepare the ground for consensus solutions.

49. Referring to the negotiations on Safeguards, some members expressed their disappointment that so little headway had been made towards the "comprehensive understanding" visualized in the Ministerial decision. One member however thought that though perhaps it had not been wise to fix a 1983 deadline for the completion of this work, considerable progress had been made. For instance, there was already a broad understanding on the temporary nature and degressivity of safeguard measures. Other members suggested that even if a comprehensive agreement was not so far within reach, a start should be made with a partial agreement: an interim agreement could possibly be based upon better transparency of safeguard measures and a permanent machinery for the discussion of these measures.

50. Satisfaction was expressed on a number of elements in the programme—for example, the good start made on quantitative restrictions and other non-tariff measures and the fact that the Part IV consultations were progressing satisfactorily. There was disappointment that the precise and specific possibilities for further progress identified in the work on tropical products had not so far drawn positive and forthcoming responses from the developed importing countries. Some members said that they were keenly looking forward to the secretariat study on textiles, which they hoped would be the first step towards bringing textiles trade within the normal framework of GATT rules. One member observed that it was important from the point of view of his country that there should be effective monitoring of adherence to the Ministerial Declaration on abstention from restrictive and discriminatory trade measures taken for non-economic reasons.

51. It was suggested that the secretariat should circulate a report on progress to date on each item of the work programme, commenting where possible on obstacles encountered and prospects for further progress. One member however observed that any evaluation would have to be handled very carefully, since not all progress was quantifiable and the overall view was perhaps more important than progress in individual sectors.

52. The Chairman concluded that in the extremely difficult and dangerous situation facing international trade relations at the time of the Ministerial meeting, the adoption of the work programme by the Ministers was by itself of cardinal importance. November 1984 was the deadline agreed for the implementation of many of the items of the work programme and there could be no question of deflection of attention or flagging energies as the deadline
approached. The credibility of GATT was bound to be judged in the light of its ability to deal effectively with the critical and complex problems confronting the trading system. He proposed that the CG.18 resume its discussion of the progress of the Ministerial work programme at its next meeting in July. He thought that it would not be realistic to bank on the availability of the report of the Study Group also in time for the November meeting of the CPs. Responding to the request for a written report by the secretariat, he remarked that a report would be made available shortly even though, at this stage, he could promise no more than a short, objective and factual report in regard to the status of work in each of the items of the work programme.

53. There was an extended discussion of the various proposals that had been made concerning the preparation of a new round of multilateral trade negotiations. A number of members expressed concern that such talk could divert attention and energies from the Ministerial work programme, and therefore delay its completion. Some of the problems covered in the work programme were urgent, and contracting parties could not simply defer their solution to a new multilateral round. Without a substantial fulfilment of the commitments made in the Ministerial Declaration, such as roll back, and successful completion of the work programme, talk of preparing for a new round could hardly be taken seriously.

54. Other members observed that they saw no conflict or contradiction, but rather a logical connection, between the completion of the Ministerial work programme and preparations for a new round of multilateral trade negotiations. The work programme included a number of fundamental issues which could not realistically be settled before November, and much of the programme was explicitly intended to have a preparatory character - the Textiles Study for example. The idea of a new round had only been floated informally so far, and though their governments had expressed support for it in principle, they realized that it would require very extensive and careful preparations. In the meanwhile, they saw no reason why there should be any diversion or weakening of efforts to fulfil the Ministerial work programme. In fact, the successful and effective implementation of the work programme would be the best possible preparation for any new round.