1. The Chairman said that he hoped the Committee would be able, during this meeting, to reach a decision on the venue of the September Ministerial Meeting. He then proposed that the meeting should begin with an assessment of the position reached in the Committee's work so far, as had been proposed by a number of delegations at the previous meeting. It would then proceed to discuss standstill, rollback, safeguards and treatment of developing countries on the basis of papers circulated by the secretariat and by delegations.

OVERVIEW OF THE WORK DONE BY THE PREPARATORY COMMITTEE

2. The Chairman recalled that at the last meeting of the Committee, several delegations had expressed the desire to assess the position reached in the preparatory process as a whole, rather than in relation to specific subjects. This might prove valuable in planning the Committee's future work and in forming a more concrete view of what should be the structure and content of a Declaration. He said that although there were many questions to answer before recommendations to Ministers could be formulated, there was an encouraging degree of convergence. The immediate task was to distinguish between real difficulties of substance and those difficulties which were essentially matters of drafting. This would allow the process of drafting to begin.

3. The representative of the United States said that the Committee had a clear mandate, a concrete task to perform, and a deadline to meet. It was time to begin drafting recommendations to Ministers. Two themes had been prominent in the Committee's discussions to date: (1) the need to liberalize trade; and (2) the need to strengthen the trading system. In support of the first theme, consensus was emerging on the need for a vigorous commitment to a standstill and rollback of protectionist measures. This was only a first step and progress in a new round would build on the liberalization of previous trade rounds. In regard to the need to strengthen the trading system, two areas for action were the improvement of GATT disciplines and the extension of GATT's scope to create new disciplines in areas of growing economic importance. With respect to improvements in GATT disciplines, there was widespread agreement on the need for improvements in the areas of safeguards, agriculture, dispute settlement and quantitative restrictions and other non-tariff measures. During the past few months, it had often been suggested that the United States was only interested in negotiations on "new issues". It had been made clear
many times that this was not true. While vigorously endorsing negotiations on services and other new issues, the United States could not envision new multilateral trade negotiations that would not significantly improve the existing trading rules. Progress on such issues as dispute settlement, safeguards and agriculture was very important. However, the trading system today was much more complex than it was in the 1940s, and the new round must also be directed toward the future by extending GATT's scope to new areas. The continued relevance of GATT depended on its ability to evolve and adapt to the changing international economy, particularly in the areas of trade in services, intellectual property protection, and investment. A number of delegations had also referred to the "environment" for negotiations as an important element of the system. Such an environment included the smooth functioning of the international monetary system. The United States, in conjunction with its principal trading partners, had begun major initiatives to promote stronger and more balanced international economic growth, with improved coordination in macroeconomic policies. These initiatives, together with such recent developments as changes in exchange rates and the new IMF facility, had already led to a much improved environment, which should facilitate the task facing the GATT. The Committee's work so far had provided a framework for a Ministerial Declaration and while there seemed to be a growing convergence of views on a number of issues, the only way to identify that convergence would be to begin drafting the Declaration.

4. The representative of India said his delegation had suggested that the Committee conduct an overview of its work so far because it would be useful to take stock of the discussions and to assess the positions of delegations concerning the various issues before the Committee. He did not believe that there was already a convergence of views, since there were many areas where differences persisted. The overview exercise could help in building a consensus in the coming weeks and enable the Committee to complete its mandate in an orderly and timely manner. He recalled that his delegation had already presented, in document L/5818, a concrete set of proposals in regard to the possible new round. In the next phase of the Committee's discussions, specific agreement should be reached in the areas of standstill, rollback, safeguards and special and differential treatment for developing countries. These important issues were specifically mentioned at the time the Preparatory Committee was established. A number of developing country contracting parties had made a proposal concerning the terms on which standstill, rollback and safeguards could be included in a programme of negotiations and the Ministerial Declaration. His delegation would shortly be submitting a proposal on special and differential treatment on behalf of developing contracting parties. The process of confidence-building, which was crucial to progress in the Preparatory Committee's work was being undermined by developments in other related fora of particular importance to developing countries, such as the Textiles Committee and the Committee on Trade in Agriculture. Progress in reaching a consensus on the programme of negotiations for a new round required that there was progress in the fields of textiles and agriculture comparable to that in other fields.
5. The representative of Canada said it was clear from the Committee's discussions that the new round would have to deal with a wide range of issues, including safeguards, dispute settlement, surveillance, agriculture, quantitative restrictions, tariffs, tropical products, natural resource products and subsidies, as well as trade in services and trade-related intellectual property issues. The discussions had identified common objectives in most of these areas. It was also clear that a credible undertaking was needed on standstill and rollback. Substantive progress on most of these issues could be achieved only through a broad multilateral trade negotiation. The overriding objective of the present overview exercise should be to identify both areas of agreement and those issues requiring further consideration. The results of this assessment could give guidance regarding the shape and content of the Ministerial Declaration. The Declaration should not be seen as an end in itself, but rather as a platform for launching the multilateral trade negotiations, whose aims were to liberalize trade and strengthen the GATT system. His delegation was ready to contribute to an objective-orientated discussion of the main elements of the declaration.

6. The representative of Argentina said that the purpose of the present exercise was to provide the Committee with a concrete analysis of the current situation. He agreed with the representative of India that there seemed to be no clear connection between the approach being pursued in the fields of textiles and agriculture and that of the Preparatory Committee. In terms of the interests of developing countries, the Committee had not progressed towards reaching a consensus on any of the important issues for the negotiations. This was in part because of a lack of political will to make progress. In drafting the Ministerial Declaration, the Committee should not attempt to prepare a list of issues and objectives on which there was no real consensus but rather should work on bringing about a real convergence of views. The Committee could make a start by preparing the basis for commitments on standstill and on special and differential treatment for developing countries and also for negotiations on agriculture, including the notion of minimum access and the impact of subsidies on international trade. In the latter context, it must be recognised that there were few national policies that did not have an impact on international trade. It was important to restore confidence in the GATT and in the multilateral system, and to put an end to existing distortions in international trade.

7. The representative of Switzerland said that the first phase of the Committee's work had provided an indication of the importance different delegations attached to specific subjects and helped to clarify the relationships among various issues. It was clear that two basic objectives in a new round were to further liberalize trade and to increase the clarity of, or modify, GATT rules where appropriate. In effect, these two objectives were often closely linked, both in relation to the extension of GATT disciplines to new areas and when it came to ensuring fuller compliance with existing disciplines. While previous negotiations had stressed improved access to markets through an exchange of concessions, a major focus of these negotiations would be to prepare, amend and supplement existing GATT
provisions, either preliminary to, or in parallel with, an exchange of concessions. Some subjects were of interest to all contracting parties while others were considered only by certain contracting parties to be important for the future of the GATT. The negotiations therefore must aim to achieve balanced results for all contracting parties. It also appeared from the Committee's discussions that many contracting parties felt trade issues should be considered within an economic context which encompassed certain financial and monetary issues. In addition, there was wide agreement that a standstill undertaking should be accepted by all participants prior to launching the new round. Finally, it was important for a number of contracting parties that better market access be assured for exports of textiles and clothing. In general terms, the negotiations should aim to strengthen, deepen and extend the multilateral trading system in order to liberalize trade and to make the trade policies of all contracting parties more stable and predictable. Following the negotiations, the trade policies of all contracting parties should be adjusted to reflect the new rules; those measures which were incompatible with the new rules should be abandoned without compensation. If necessary, immediate problems could be settled on a provisional basis while awaiting the final results of the negotiation. The Committee should now proceed in a more operational fashion to formulate its recommendations to Ministers. The Committee should establish a structure for a Declaration which would provide a basis for the negotiations themselves, and also identify the objectives of such negotiations. In this connection, the Ministerial Declaration should cover certain factors, including the objectives of the negotiation, the environment which might facilitate negotiations, action to be taken to strengthen the system and increase market access, and the organization of the negotiations themselves. Some thought might also be given to defining the principles and procedures which would enable GATT and international trade to be better integrated into the sphere of international economic cooperation more generally.

8. The representative of Japan said that the objective of the Committee's work was not to negotiate but rather to develop the programme of negotiations to be recommended to the Ministers in September. It was imperative that the Ministerial Meeting launch the new round and send a signal to the world community that negotiations were starting. The overall shape and nature of the Ministerial Declaration should now be determined by the Committee, and efforts should be made to reach a consensus on as many elements as possible. While the secretariat notes on the different subjects were useful, the next round of discussions should concentrate on the formulation of recommendations to Ministers. His delegation urged the Chairman to present a paper to the Committee on the framework of the Ministerial Declaration.

9. The representative of Zaïre said that while a majority of contracting parties supported certain objectives in a new round, such as strengthening the multilateral trading system and liberalizing world trade, views diverged on other objectives. Contracting parties would need to demonstrate adequate political will in order to launch a new round and to create an environment conducive to its success. One demonstration of this would be for each
contracting party to engage in a standstill and rollback commitment prior to launching the new round. While the negotiations would have to meet the concerns of all contracting parties, the principle of special and differential treatment would have to be borne in mind. Concrete measures would have to be taken to favour developing countries, and in particular the least developed countries. The interrelationship between the multilateral trade system and the international monetary and financial system should be recognised and required action be taken in the appropriate fora.

10. The representative of Brazil said that the Committee's general debate had been necessary and had indicated what different contracting parties considered should be done in order to preserve and strengthen the multilateral trading system. A first priority now was to discuss specific proposals and identify points of convergence, so as to enable contracting parties at Ministerial level to consider launching the proposed new round of negotiations. While the major trading nations appeared reluctant to address issues which were fundamental to the survival of GATT, such as standstill, rollback and safeguards, they were trying to expand the jurisdiction of the GATT to new areas. They were seeking to apply to these new areas the same kinds of rules and regulations which they failed to respect in existing areas of GATT jurisdiction. This contradiction was apparent in the area of textiles and clothing. After applying a régime which represented a major departure from the GATT for two decades, importing countries were now telling developing country exporters that they had to prepare themselves for a further prolongation of the existing régime, perhaps on an even more restrictive basis. The lack of credibility that this situation engendered was also apparent in the field of agriculture. It also raised the question of how far some countries were genuinely committed to preserving the multilateral trading system. This was one of the reasons why the Committee should proceed in preparing the possible new round with a clear understanding of the priorities to be established.

The first and immediate task was the preservation of the GATT. This implied a return to the application of GATT rules and necessitated firm commitments to standstill and rollback. A standstill would reaffirm the commitment to abide by GATT rules and to resort to restrictive import measures only exceptionally and on the basis of GATT provisions. The rollback would be a commitment to phase out all measures taken in contradiction of GATT in all areas of trade in goods. Action on standstill and rollback needed to be reinforced by action in the field of safeguards. Some of the gaps in the existing safeguards rules had to be closed to maintain the GATT principle of non-discrimination and to promote the objective of trade liberalization. Effective action on the questions of standstill, rollback and safeguards was required before any new trade liberalisation could take place in a possible new round. Such action was also essential as a means of testing the credibility of proposals to have structural adjustment as a unifying theme for the proposed new round. The question of new subjects affected the established jurisdiction of the GATT and this was a fundamental impediment to the inclusion of such items in a possible round of trade negotiations. The inclusion of new subjects falling outside the GATT's area of competence would
not only jeopardize the integrity of the GATT but would also delay much needed action in areas of long-standing difficulty, such as agriculture and textiles. The tradition in GATT of decision making by consensus on any matter of substance would be even more relevant for issues alien to the GATT. To proceed otherwise would be to accept that the GATT could be amended in an informal manner, and to admit that rights and obligations acquired under the GATT could be changed by the will of some, and not even necessarily the majority, of the contracting parties. Distortions introduced in the GATT system in the Tokyo Round had already resulted in instances where the interpretations or implementation of specific GATT provisions was adhered to by a minority of contracting parties. This raised serious questions of compatibility with the General Agreement both in the letter and in actual implementation. It should not be assumed that international regulation of matters outside the GATT could automatically be included in a new round. Such a course of action risked making the exchange of concessions, or worse still the observance of existing obligations regarding trade in goods, dependent on concessions in new areas. Any amendment to the GATT or its area of competence could not be made in full compliance with established legal procedures. No individual contracting party could be obliged to participate in a GATT-sponsored negotiation. Nor could any individual contracting party be expected to remain indifferent to illegal actions and such a contracting party had the right to oppose the launching of a round if it felt that the proposed negotiations affected its rights under the General Agreement or violated the integrity of the GATT. Any attempt to ignore these kinds of problems would pose a great danger to the integrity and stability of the GATT system. There would also be significant difficulties when it came to the incorporation of negotiated results into the institutional framework of the GATT if these results were the product of decisions which had not been taken on the basis of consensus. In order to avoid such situations, the decision to launch the proposed new round should be taken only in the context of a formal meeting of the CONTRACTING PARTIES, thus ensuring that negotiations were conducted exclusively in a GATT context. Concerning the organisation of the next phase of the Committee's work, informal contacts could be useful in reducing and eliminating differences in perception among contracting parties. However, formal sessions were indispensable to discuss proposals put forward by delegations. They were also necessary for the sake of transparency. While secretariat assistance was essential in the preparatory process, concrete proposals could come from the secretariat only when requested by the Committee. This might be appropriate at a later stage in order to give shape to any consensus emerging on the substance of matters being formally discussed.

11. The representative of Norway speaking on behalf of the Nordic countries, said that the time had now come to focus on the Committee's task of drafting the Ministerial Declaration. In view of the short time available, the Committee should start discussing the structure, format and content of the Declaration, as well as draft texts on the elements to be included in it. The notes provided by the secretariat and the proposals submitted by delegations on specific subjects provided a useful basis for this new phase of work. He hoped that the Chairman would present to the Committee a possible outline of a Ministerial Declaration.
12. The representative of the European Communities said that in the absence of a new round, the multilateral trading system itself would be rolled back. While the principle of holding a new round had not been questioned, there seemed to be little inclination at this stage to begin negotiating a Ministerial text. During the first phase of the Committee's work no real dialogue nor synthesis of views had taken place. However, there were a number of areas where it might be possible to bring different positions closer together and the time had now come to begin to work in that direction. While no delegation seemed to contest the principle of a new round, no-one seemed in a hurry to begin. On a preliminary basis, it might be possible to classify the subjects to be treated in the declaration into three categories. The first category contained subjects whose inclusion in the Declaration was not contested, such as standstill, tariffs, and tropical products. The second category involved subjects whose inclusion would not create major problems, but on which further work was necessary to provide adequate guarantees that negotiating positions would be respected. This category included rollback, safeguards, treatment of developing countries, agriculture, dispute settlement, quantitative restrictions and other non-tariff measures, the MTN Codes, exports of domestically prohibited goods, textiles, natural resource products, review of certain GATT Articles, restrictive business practices and notification and surveillance. Finally, in the third category there were subjects whose inclusion in the negotiations remained controversial, including subsidies, structural adjustment, trade in counterfeit goods and other aspects of intellectual property, export credits, exchange rate fluctuations, services, trade-related investment measures, countertrade, the balance of benefits among contracting parties, workers' rights and commodity price stabilization. The Committee needed to reach a consensus on broad objectives for the negotiations, as well as on more specific objectives and on the modalities for the negotiations. It would be pointless, however, to seek consensus at this stage on substantive questions which could only be resolved as part of the negotiating process itself. The drafting of the Ministerial Declaration would be facilitated if there was a framework or outline which could be filled in as the negotiations progressed. In concluding, he recalled that previous GATT rounds had been launched by means of statements agreed between major contracting parties. The Community had continually stressed the importance it attached to consensus in the launching of the new round, but it did not seek consensus at all costs. If the search for consensus led to an impasse and a blockage of all progress, then old habits might revive.

13. The representative of Yugoslavia said that the first phase of the Committee's work had indicated that the majority of contracting parties were interested in seeking solutions to trade problems through multilateral trade negotiations based on GATT principles. In its next phase of work, the Committee should agree upon the framework of the future negotiations, taking into consideration all the issues which had been raised, as well as the interests of all participants. Her delegation was concerned by the lack of political will shown by the largest trading partners in relation to the standstill and rollback of restrictive import measures not in conformity with GATT. Many other developing countries were facing significant difficulties as a result of the present weaknesses in the multilateral trading system. The
prospects for a number of developing countries in the proposed negotiations were either uncertain or simply unfavourable, as a result of protectionist policies in a number of sectors, including textiles and clothing, steel, and agriculture. The situation was worsened by the manner in which certain of the Tokyo Round Codes were applied.

14. The representative of Bangladesh said that the discussions so far had contributed to a better understanding both of the issues before the Committee and of the positions of different contracting parties on individual subjects. In spite of differences, the Committee had succeeded in focusing more sharply on a number of important subjects. A number of delegations had also come forward with specific drafting on certain issues. The Committee should now begin the second phase of its work by seeking to establish a convergence of views in key areas. In order for the new round to be credible, there must be a balanced approach to trade liberalisation embracing all sectors, and particularly those of importance to the developing countries. A main objective of the new round, to be clearly brought out in the Ministerial Declaration, should be to secure additional benefits for the trade of the developing countries, particularly the least-developed among them. The latter distinction had been recognised both in the Enabling Clause and in the 1982 Ministerial Declaration. A number of the concrete measures prescribed in the 1982 Ministerial Declaration still remained largely unfulfilled. The new round offered an opportunity to further expedite implementation of these measures in all sectors of importance to the least developed countries.

15. The representative of New Zealand said that the time had come to move quickly and expeditiously to preparing a draft declaration for consideration by Ministers in September. In this context, his delegation would like to conduct further work on the basis of a draft of a declaration which might be drawn up by the secretariat, taking into account all relevant documentation.

16. In response to the intervention by the representative of the European Communities, the representative of Argentina said that while he agreed that it was impossible to define the results of the negotiation in advance, it was nevertheless important that delegations be given some indication of the parameters which would be followed in negotiating certain subjects. For his country, agriculture was a case in point.

17. The representative of the European Communities said that while he agreed it would not be adequate merely to say that agriculture must be covered by GATT, the sector clearly could not be treated in the same manner as other sectors. His delegation was ready to envisage the inclusion of agriculture in the negotiations, but not in a manner contrary to its own interests. The Committee on Trade in Agriculture had reached certain conclusions which had prepared the way for various possible approaches to negotiations. These conclusions which had been approved by CONTRACTING PARTIES were difficult to reject as a valid basis, if all participants without exception, accepted them.
18. The representative of Brazil said that there were different circumstances surrounding this proposed new round of negotiations compared to earlier rounds. Not only had developing countries become more prominent in international trade, but the developed countries were also saying that developing countries were expected to make a significant contribution in a new round. In these circumstances, it was difficult to see how negotiations could take place without the consent of developing countries. In other words, it was not acceptable that some countries could decide outside the GATT that there were to be negotiations and then expect that the full GATT membership simply agree to a new round under GATT.

19. The representative of Korea said it would be useful for the Committee to have before it a comprehensive draft Ministerial Declaration and suggested that if some considered that a secretariat paper was not appropriate at this time, perhaps the Chairman could make proposals under his personal responsibility. Such a draft could serve as a point of departure and not be subjected to detailed discussion at this stage. A suitable sequence of discussions on the drafting of the Ministerial Declaration could be the following: firstly, the four items mentioned in the context of the Decision of the CONTRACTING PARTIES establishing the Preparatory Committee, namely standstill, rollback, safeguards and the treatment of developing countries, should be dealt with. If necessary, guidelines on how they should be treated in the negotiations could be developed. Secondly, each subject should be discussed individually with the aim of deciding whether it should be included in the negotiations. The manner in which subjects for inclusion would be treated should be left for negotiations. Thirdly, the objectives of the round should be agreed. Fourthly, the modalities of the negotiations should be decided.

20. The Chairman said that the overview discussion indicated that there was a general will to proceed to a concrete examination of specific elements of the draft Ministerial Declaration and to determine what recommendations should be prepared for adoption by the Ministers. The GATT secretariat had started to prepare papers on a number of subjects and he proposed that the Committee discuss these papers, starting with standstill, rollback, safeguards and treatment of developing countries. With respect to the request made by a number of delegations for a secretariat paper on the outline or structure of a draft Ministerial Declaration, he noted that he had previously indicated that the secretariat would attempt to produce such a document, but it had become apparent that more time was needed. He proposed that the Committee proceed to examine standstill, rollback, safeguards and treatment of developing countries.

STANDSTILL AND ROLLBACK

21. The Chairman drew attention to the following documents relevant to the discussions: PREP.COM(86)W/15 on differential and more favourable treatment for developing countries; PREP.COM(86)W/14 on rollback; PREP.COM(86)W/13 on standstill, rollback and safeguards; PREP.COM(86)W/3/Rev.1 which contained a
draft text for inclusion in the Ministerial Declaration on standstill, rollback and safeguards; PREP.COM(86)W/12, which contained a draft text on standstill; and PREP.COM(86)W/2, issued by the secretariat, which summarised the main points arising from the Committee's earlier discussion on standstill and rollback and described the standstill arrangements which had been agreed in previous rounds of negotiations.

22. The representative of Norway introducing the proposal contained in PREP.COM(86)W/12 said that there was a generally recognized need to adopt a strong standstill commitment in the context of the new Multilateral Trade Negotiations, for two main reasons. Firstly, it would be a clear political signal that the participants were prepared to avoid taking measures that restrict or distort international trade in order to create a positive negotiating climate, and to help governments resist protectionist pressures during the round. Secondly, it would aim at preventing countries from unduly improving their bargaining positions during the round. The draft text proposed by the Nordic countries, Austria and Switzerland for inclusion in the Ministerial Declaration in PREP.COM(86)W/12 was intended as a basis for further deliberations on the agreement which had to be negotiated in the Preparatory Committee as a supportive measure for the negotiations proper. The first sentence in the draft text related to the purpose and scope of the standstill commitment and put it in the context of the MTN. The second sentence indicated the participation, coverage and level of commitments and the term "Their governments" reflected that the commitment would apply to all participants in the MTN. A distinction was made between two categories of measures. Consequently there were two different levels of commitment. On the one hand, on measures which were not based on the provision of the GATT system an absolute commitment which entailed that no new measures were introduced was proposed. However, as regarded measures taken in exercise of GATT rights, while it would not be realistic to expect that contracting parties would accept to forego GATT rights, governments must be expected to show strong self-restraint in exercising these rights. For this second category of measures the proposal foresaw a commitment in the form of best endeavours. The third sentence gave a precision as to how the standstill commitment should be reflected in the broad context of national trade policies. The fourth sentence was intended to ensure effective surveillance. An obligation to notify any measure of relevance to the standstill commitment had to be clearly spelt out. The fifth sentence reaffirmed the governments' commitment to observe all existing notification obligations and proposed that surveillance arrangements should aim at achieving two basic objectives: to permit the participants to assess the observance of the standstill commitment; and to avoid unnecessary duplication of work. To this effect due account should be taken of the existing surveillance mechanisms in the GATT system.

23. The representative of Brazil said he shared the view that standstill and rollback, and the issue of safeguards were linked. Standstill and rollback meant respecting the General Agreement observing in practice the commitments of contracting parties to resist protectionism, and to phase out all measures inconsistent with the GATT. A firm commitment to refrain from introducing new restrictive measures should be undertaken by all contracting parties. While
these objectives could be linked to a new round of trade negotiations, the new round, like previous rounds, should deal with liberalization. The observance of the General Agreement could not be the objective of a new round. Commitments to standstill and rollback were permanent obligations of contracting parties to the General Agreement and should be independent of a new round. As regards the question of safeguards, the existing safeguards procedures had to be examined with a view to closing loopholes and arriving at a better understanding of the rules. Redefinition of the provisions regarding safeguards in accordance with GATT principles would reinforce the commitments to standstill and rollback and ensure their fulfilment. The circumstances and motivations for standstill and rollback commitments in the past had been entirely different from the present ones. The present situation, where the GATT itself and commitments accepted under it were being violated, could not be tolerated. Observance of GATT rules and reversal of protectionism, independently of any decision to launch a new round, on the part of developed contracting parties would play a major role in creating a climate conducive to meaningful negotiations. Such individual commitments would need to be clearly defined, made at the highest political level, and accepted before a new round of negotiations was launched. As regarded the measures identified in PREP.COM(86)W/3, the rights of contracting parties to adopt certain measures when they had special problems for which there were specific provisions in the General Agreement would not be restricted. The commitments should apply to all sectors of trade and all types of measures.

24. The representative of Canada said that he found the secretariat paper to be a particularly useful document and the issues raised in it to be the ones which needed to be addressed as the Committee continued its work. Contracting parties were proposing to undertake commitments which would have a direct effect on future government actions, and would need precise ministerial guidance on the nature of these commitments. The commitments on standstill and rollback would need to be credible, realistic, transparent, meaningful in content, and fair and balanced in terms of the undertakings, with appropriate monitoring mechanisms. The existing obligations of contracting parties not to introduce any restrictive measures not in conformity with the GATT should be reaffirmed by Ministers. This commitment would relate to areas of trade currently covered by the GATT. An undertaking not to improve negotiating positions during the negotiations was also important, and should apply to all areas of trade covered by the negotiations, including services. (Canada was prepared to engage in negotiating the framework for trade in services, which should not be determined by unilateral action.) These commitments should be undertaken by all participants in the negotiations. Measures not in conformity with the GATT should be phased out or brought into conformity with GATT at the latest by the end of the negotiations. This would in effect fix a time limit for fulfilling the rollback commitment in paragraph 7(i) of the 1982 Ministerial Declaration.

25. The representative of Hong Kong agreed with PREP.COM(86)W/3 to the effect that standstill and rollback would be essential elements in the confidence-building process at the commencement and in the early stages of a new round. In principle these commitments should apply to all sectors of trade including textiles and clothing. Any time-bound programme for a phase-out of the
textiles and clothing régime would be for agreement at an appropriate time in the context of a separate track, and should be implemented under strengthened GATT disciplines with prior conclusion of a comprehensive agreement on safeguards based on the m.f.n. principle. Eventual convergence between a strengthening GATT system and a liberalising textiles régime was thus envisaged. The commencement of a process of genuine liberalisation of the textiles régime before the end of July was necessary for establishing appropriate conditions for the success of the new round, as well as for ensuring the credibility of standstill and rollback commitments. Renewal or extension of the MFA was not in itself contrary to the objectives of the new round providing that it was undertaken in the context of liberalisation of trade in textiles and its eventual return to strengthened GATT disciplines. Standstill and rollback commitments should be framed in a comprehensive approach that took account of all the elements listed in Part I of the secretariat document PREP.COM(86)W/2. This would include a categorical formulation on rollback that would commit participants to take concrete steps. "Best endeavours" would not be sufficient for this purpose.

26. The representative of the European Communities said that standstill, rollback and further liberalization of trade were three stages of the same process. A commitment on standstill and rollback had to be accompanied by additional trade liberalization in the context of a new round, since standstill on its own merely crystallised and froze existing imbalances. Recalling the European Communities' interpretation of paragraph 7(i) of the 1982 Ministerial Declaration, he said that his delegation was ready to undertake a process which would result in a meaningful and equitable collective commitment in the context of this three-stage process.

27. The representative of Japan basically welcomed the proposal by the Nordic countries, Austria and Switzerland, and stressed the importance of standstill and rollback commitments as confidence-building measures. All participants in the new round should undertake to refrain from introducing any restrictive measures inconsistent with GATT provisions, to make determined efforts to phase out any such measures already in existence, and to avoid any trade restrictive or distortive measures outside GATT disciplines. There was also need for an effective surveillance mechanism to monitor the implementation of the undertaking. However, Japan disagreed with the view that a commitment to standstill and rollback should be a prerequisite for launching the new round: it should rather be a political commitment to be adopted by Ministers.

28. The representative of Singapore stated that in ASEAN's view a commitment on standstill was essential for the new round. Part I of the secretariat note, PREP.COM(86)/W/2 could be used as the basis for an acceptable standstill agreement. Given the importance of an effective surveillance mechanism to ensure adherence to the standstill commitment, the Preparatory Committee should consider the establishment of a new body to perform this function. The Special Sessions of the Council had not been effective in the past in this respect.
29. The representative of Zaire said it was desirable to reach a consensus quickly on standstill, and in any case before negotiations were officially launched, in order to create a favourable environment for the negotiations. The standstill commitment was both a technical necessity, and a proof of the political will of governments to engage fully in the proposed negotiations. The standstill commitment should be subject to effective surveillance and should cover the entire field of application of the GATT. Contracting parties should be required to notify information concerning the observance of the standstill throughout the negotiations.

30. The representative of Korea said that the Ministerial Declaration should comprise two pages on standstill, rollback, safeguards and LDC treatment, one page on objectives, modalities and participation and half a page on subject matter. Given the lack of proposals on the part of the largest trading countries there was no alternative but to support the Brazilian proposal on standstill, rollback and safeguards. Since the collective commitment undertaken in the past had not been very effective, the idea of individual commitments in the proposal made by Brazil on behalf of a number of developing countries seemed particularly relevant.

31. The representative of India fully supported PREP.COM(86)W/3 on the question of standstill, rollback and safeguards, which should be looked upon as mutually reinforcing and closely connected elements of a single whole. PREP.COM(86)W/3 contained all the elements needed for a decision in regard to standstill. Its approach was realistic, simple and one based in terms of the legal implications. Both developed and developing contracting parties should now reinforce the system by unequivocally taking such a commitment. The text claimed no special dispensation for developing countries as far as standstill was concerned. In order to ensure credibility on this commitment, reference had been made to the level at which such a commitment should be taken and the support required by legislative sanction. Such individual commitments should become effective from the date of launching of the new round. On the need for a surveillance and monitoring mechanism there was almost unanimous agreement in the Committee.

32. The representative of the United States re-emphasized the need for a binding commitment on standstill and rollback by all contracting parties for the new round to be credible. The paper submitted by Brazil put proper focus on some elements of such a commitment and constituted a step in the right direction for further work. The three connected elements of standstill, rollback and safeguards should preferably be considered together. However, the US was ready to discuss standstill and rollback and safeguards separately as suggested by the European Communities. The secretariat note on standstill and rollback, which contained a number of excellent concepts was timely and commendable. The US saw a close relationship between these commitments and the negotiations on elimination of restrictive measures, for example, in the areas of safeguards, agriculture and quantitative restrictions and non-tariff measures. First, standstill and rollback commitments should be undertaken by all contracting parties at the time of launching the negotiations. Secondly, standstill must be accompanied by rollback: merely to freeze the existing
level of protection, restrictions and distortions could not be accepted. Thirdly, a standstill should contain both a commitment not to introduce measures inconsistent with the GATT or with agreements negotiated under GATT auspices, and an undertaking to avoid measures that distorted trade and gave rise to protectionist pressures in other trading countries. Fourthly, a rollback commitment should require all measures inconsistent with the GATT or with agreements negotiated under GATT auspices to be eliminated or brought within specific GATT disciplines as soon as possible, and in any case no later than the completion of the new round. Fifthly, standstill and rollback would not prevent the exercise of GATT rights. Finally, surveillance and monitoring of the standstill commitment and rollback actions, along the lines suggested in the secretariat paper, were very important, as was the right of cross-notification to the surveillance body.

33. The representative of Bangladesh re-emphasized that for the new round to be credible, it was essential that a binding and enforceable commitment be undertaken by all participants to refrain from taking any measure inconsistent with the GATT. The paper introduced by Brazil put proper focus on the necessary elements of the standstill commitment. The commitment should apply to all sectors, including textiles and clothing, which was of critical importance to the developing countries, and standstill, rollback and safeguards should be considered together because there were important interlinkages. His delegation was however ready to discuss them separately as suggested by the European Communities.

34. The representative of Chile said that the first requirement for the new round would be to institute an effective standstill by all contracting parties, and indeed by all participants in the round. Though such a standstill should obviously cover measures incompatible with the General Agreement it was to be hoped that the standstill would not leave open major loopholes for the application of measures which, while they could be defended as compatible with the General Agreement, nevertheless restricted and distorted trade. A mere undertaking that contracting parties would not seek to improve their bargaining positions during negotiations might have little impact, since the effects of any measures taken could only be known post facto. For this reason Chile was strongly of the view that the standstill commitment should explicitly cover all the main instruments of trade policy except those used to correct distortions. There should be no further voluntary restraint agreements except as provided for under the Subsidies Code and the trade impact of existing VERs should not be increased. In sectors such as agriculture, which were far removed from GATT disciplines, the need for a strict standstill commitment was particularly evident. Standstill must be accompanied by the phasing out of GATT inconsistent measures, and this process could not be a matter for negotiation or compensation. Nor should it prejudice the rights of contracting parties to invoke the dispute settlement procedures. The commitments on both standstill and rollback should be accepted by all contracting parties and should be applied without discrimination to all products.
35. The representative of Czechoslovakia noted some convergence between the content of the secretariat note and the proposals made by groups of countries. He felt that the secretariat's note established a reasonable basis for drafting commitments on standstill and rollback. His delegation attached importance in particular to the widest possible coverage of the standstill and rollback in terms of sectors and measures, (especially measures infringing the m.f.n. principle) to the autonomous status of commitments with binding effects and to the implementation on the m.f.n. basis. The phase out of non-conforming measures should also be applied by all countries in a non-discriminatory manner. Standstill, rollback and safeguards were closely linked and commitments in this area should be mutually reinforcing.

36. The representative of Pakistan said that previous standstill and rollback commitments had not prevented the introduction of various measures which, whether consistent with GATT or not, had limited or distorted trade. This had led to an erosion of confidence in GATT. As a country dependent on trade, Pakistan relied on an open, predictable and stable trading system in order to promote its development. Standstill and rollback commitments were crucial in this regard, and these commitments should be made prior to the launching of the new round.

37. The representative of Colombia recalled that his government's position on standstill was expressed in document L/5818 paragraph 8 A(i). In consequence, his delegation believed that without a firm commitment on these matters there could not be viable trade negotiations. He welcomed the submission by Brazil and Norway of documents PREP.COM(86)W/3/Rev.1 and PREP.COM(86)W/12. Together with the note prepared by the secretariat, these provided a sound basis for an agreement on this matter, especially the last sentence of W/12 and paragraphs 1, 2, 3, 5 and 6 of W/3. A standstill commitment should be binding on all contracting parties and should cover all trade sectors. It should also establish a special notification and surveillance procedure.

38. The representative of Uruguay said that there could be no viable negotiations without a firm comprehensive standstill commitment. Uruguay attached particular importance to the proposal in PREP.COM(86)W/12 that participants should "make determined efforts to avoid introducing measures that while taken in the exercise of GATT rights would adversely affect international trade". PREP.COM(86)W/3 also contains important ideas which should be reflected in the final agreement. Effective surveillance of the standstill was also vital. As regards rollback, the unsatisfactory results of previous commitments, and the disappointing experience of the implementation of paragraph 7(i) of the 1982 Ministerial Declaration indicated that any new commitment must be specific and enforceable. To leave the selection of measures to be eliminated and the timetable for doing so to the decision of importing countries would merely repeat the experience of 1982. The first stage of the rollback should therefore be agreed before the launching of the new round, and a list of measures to be eliminated, covering a substantial proportion of the illegal measures in existence, should be annexed to the Declaration. A point of departure here might be the Annex to
document NTM/W/4/Rev.3 (Products of Present of Potential Interest to Developing Countries), which could be updated and completed by describing the treatment presently given to these products in import markets. As to the remaining inconsistent measures, a timetable for their elimination, over a period of not more than three years - or the duration of the first phase of negotiations if this were shorter - should be agreed. In this way all restricted measures on imports from developing countries which were inconsistent with the General Agreement or based on GATT waivers would be covered. Subsidies should also be covered both by the standstill and the rollback commitment in view of their distorting effects on trade. Both standstill and rollback should be very closely monitored by a body designated for this purpose. This might be either the Council or the Trade Negotiations Committee.

39. The representative of Egypt thought the proposals in PREP.COM(86)W/2 to be objective, constructive, and well-balanced. As mentioned in the secretariat note, over ninety per cent of customs duties were bound in GATT by industrialised countries, and to this extent, for all practical purposes, a permanent standstill was already in force. Therefore a mere reaffirmation of existing commitments prior to the launching of a new round, would not be sufficient. The commitment should be accepted by all participants and applied without discrimination and should include refrainment from increasing tariffs or non-tariffs and other protective measures inconsistent with the GATT.

40. The representative of Ghana supported the Brazilian proposal. However, he expressed doubt as to the practical possibility of undertaking individual commitments to standstill and rollback and notifying them to GATT before the launching of a new round.

41. The representative of Australia said that a standstill commitment must cover all types of measures which restrict and distort trade, both GATT-consistent and -inconsistent. Secondly, there must be a rollback element in a standstill commitment. It would not be possible to have a serious and substantial trade negotiation if the issue of rollback were to be set aside and treated as an issue to be handled only in the negotiations. In the first place, if rollback issues were to be subject to negotiation, it would imply that the measures in question had some form of legitimacy. Secondly this would confer an unfair negotiating advantage on countries maintaining measures inconsistent with GATT, and would thus reward those responsible for the widespread use of such measures over the last few years. A firm commitment to phase out inconsistent measures during the period of the new round was therefore essential, and it would be important to identify the measures and trade sectors to which such a commitment will apply. It was notable that none of the papers so far submitted on the subjects proposed the exclusion of any sectors. As to measures, quantitative restrictions and other non-tariff measures, agriculture and safeguards should all be highlighted. He welcomed the constructive statement made by the representative of the United States. Finally, it would be essential to set up effective machinery to monitor the standstill and rollback commitments, as a permanent check on the bone fide of participants in the negotiations. The monitoring function should include provision for third party notification of relevant actions.
42. The representative of Korea said that Korea's attitude to subjects of special interest to developed countries in the new round would be influenced by the developed countries' attitude on standstill, rollback and safeguards. Referring to the Norwegian proposal, he emphasized that any measures which adversely affected international trade, whether or not in conformity with the GATT, should be avoided. This should be reflected in the standstill and rollback commitment. Korea, for its part, was constantly and unilaterally reducing import barriers; it was to be hoped that in the new round such unilateral liberalization by developing countries would be recognised and rewarded. Commenting on PREP.COM(86)W/3, he agreed that it was important to specify textiles and clothing as one of the sectors to which the rollback commitment should apply, and suggested that Articles XI, XIX, XII and XVIII also should be added to those specified in paragraph 2. He also supported the idea of setting up appropriate machinery for the monitoring and surveillance of individual commitments, as well as the draft text on safeguards.

43. The representative of Jamaica said that standstill must be a binding commitment - not a best endeavour clause- covering all relevant areas, and accompanied by an equally binding commitment to remove trade measures inconsistent with GATT. In doing so there should be no attempt at gaining concessions or reciprocity. The need for consistency between domestic legislation and GATT obligations must be emphasised. The GATT Council should be the co-ordinating forum to establish machinery for surveillance and monitoring of the standstill and rollback commitments.

44. The representative of Hungary stated that in order for the new round to be credible, a firm, binding commitment was required from all contracting parties on standstill and rollback. The rollback of measures in violation of the GATT should be without reciprocity and should be applied on the most-favoured nation basis and must cover all sectors of trade. It was necessary that the implementation of the commitments in question be monitored by an effective surveillance body.

45. The representative of the European Communities said that the Community was ready to help work out a credible commitment on standstill and a feasible one on rollback. It could agree to deal with standstill in the form of a commitment which would be taken simultaneously with the launching of the new round, not prior to the launching as Brazil and others had suggested. This implied that if standstill was to be effective there had to be a new round. The Community could also accept a commitment, both collective and individual, which would cover all participants in the negotiation. They also recognised that some kind of surveillance machinery might be necessary for the creation of a credible environment. He questioned whether it could be assumed however, merely because a measure was taken without invoking a particular GATT provision, that it was inconsistent with GATT. There were also measures which had been taken within the GATT system, but whose conformity was questioned by some contracting parties. A judgement on the legality of a particular measure would not be an easy task. This had to be borne in mind in drafting any commitment, if it were to be realistic. Referring to the statements that standstill provisions must apply to agriculture, he said that
if this were interpreted as meaning that import levies and restrictions under the CAP were to be frozen for the duration of the negotiations, the Community would neither accept such a commitment nor participate in the negotiations. It must also be made clear whether and how a standstill commitment would apply in the case of bilateral agreements concluded under a new Multifibre Arrangement.

46. The representative of Sri Lanka said that standstill and rollback were of crucial importance and were to be regarded as confidence-building measures which, together with safeguards, were mutually reinforcing. However, whereas standstill was a commitment which was applicable to all contracting parties, this was not the case with rollback, which should be a commitment from the developed contracting parties in favour of developing contracting parties. Secondly, while standstill would apply to all sectors of trade in goods including textiles and clothing, rollback in textiles and clothing, for instance, would have to take account of a separate process already in motion with a separate timetable. Past experience showed that both commitments would have to be binding, not just best endeavour clauses. It also pointed to the importance of effective notification and surveillance, and the need to set up appropriate machinery to deal with both.

47. The representative of Poland recalled that in his delegation's view standstill commitments should ensure protection of trading régimes from further deterioration, whether legal or illegal, guarantee stability of market access, cover all commodities and be binding in nature. Such commitments should be extended by all contracting parties, to all other contracting parties, without discrimination, and should remain in force until the end of the new round. It would be necessary to ensure that the commitments made were being carried out. This monitoring might best be done by the Council, meeting in Special Session.

48. The representative of Romania suggested that the work of the Committee would be facilitated if the secretariat, with the help of delegations if necessary, prepared a document comprising all the proposals made so far, including that of Poland. It would be easier to work on concrete written proposals in seeking a possible compromise.

49. The representative of the European Communities feared that it would be impossible to proceed as suggested by Romania: twenty-nine subjects required discussion and only nineteen days of meetings were left to the Preparatory Committee. However, he welcomed the suggestion made earlier by the United States that an attempt be made to draw up a draft text. He was prepared to participate in a drafting exercise immediately, for otherwise no progress could be made.

50. The representative of Romania said he had had no intention of launching a drafting exercise, but suggested that the secretariat prepare a new compromise document on which the Committee might commence work. As a contribution to this, he had suggested that delegates attempt, over the next few hours, to reach agreement on as much as was possible.
51. The Chairman said that he had noted the various proposals made regarding working methods. He suggested that the Committee should deal with standstill, rollback and safeguards, and possibly also with the treatment of developing countries, before it proceeded to agree on a method of work.

52. The representative of the European Communities said that it was important to be clear as to the scope and meaning of the commitments which seem to be envisaged. Agreement on a standstill commitment, for example, would require the solution of a number of practical or technical problems, which the Committee should clarify in order to facilitate the political decision which must be made. As to rollback, while constant references were made to the rollback of grey area measures, it should be realized that this would imply drawing up an inventory of such measures, and that the question of their possible legitimization would inevitably arise. If this were not acceptable the logical consequence must be to trust governments to take unilateral action on the elimination of grey area measures, in order to avoid the problem of collective "legitimization". Great care should be taken to avoid imposing on governments commitments which they, or their successors, would be unable to honour. Though it appeared easy to talk in general terms about inconsistent measures, experience showed that to reach collective agreement on matters of interpretation, and thus on legality of given measures, was often very difficult. There was here a danger of interminable discussion of legal issues and damage to the dispute settlement process. Another problem which could arise in the context of the standstill was that, while it seemed to be agreed that contracting parties could not be denied recourse to their GATT rights, it was also true that Article VI or Article XIX, for example, could be used as means of harrassment. It would be necessary to reconcile all these potential conflicts so as to avoid damage to any country's interests.

53. The representative of Israel said that the question of rollback was intimately linked to Paragraph 7.1 of the Ministerial Declaration of 1982, which was an undertaking accepted by all members of GATT. For this reason Israel could not agree to any rollback provisions applying solely to measures undertaken and maintained by developed countries.

54. The representative of Brazil said that the matters of standstill and rollback were very complex and required very careful consideration. This was particularly the case as regards rollback. His delegation was ready to participate in consultations which could be required in order to see whether an agreement could be arrived at which might be accepted by all members of the Committee.

55. The representative of Korea said that the definition of GATT-consistent or -inconsistent measures involved considerable difficulties. He suggested that a panel might be created to determine whether or not given measures were inconsistent with GATT and should thus be subject to rollback. It might also adjudicate on alleged violations of the standstill. If each government were to make a political commitment in the form of an individual pledge to abide by its GATT commitments, he believed that they would be reasonably conscientious in their assessment of proposed trade measures. In this way each government would bear individual responsibility for the legality of its trade policies and the concept of an individual and collective commitment to standstill and rollback would be assume reality.
56. The representative of the European Communities, referring to the possible notification of relevant measures by third parties, said that the important question was the use which might be made of this procedure. For this reason he found merit in the formulation in paragraph 7 of PREP.COM(86)W/2 on this subject. The essential requirement was that the commitments to be undertaken by governments should be acceptable, realistic and equitable. The need for commitments to be "binding" was constantly asserted, and for its part the Community would only accept commitments which were certain it could fulfil. But this made it all the more necessary that every word of such commitments should be carefully weighed. Given the technical complications to which he had referred earlier, it would be dangerous to exclude a certain measure of autonomy for governments in the implementation of the commitments to be undertaken. Any automatic mechanism would be doomed to failure.

57. The representative of India said that the Committee should examine more closely the proposal of the EEC representative to deal with trade in textiles and clothing in a formulation regarding rollback. The EEC representative had spoken of the need for realism and feasibility in the formulations to be put forward: it would greatly assist the Committee in negotiating and if possible agreeing on a rollback commitment to have written proposals from the Community and other delegations showing how such concepts should in their opinion be covered.

58. The representative of Brazil, referring to points raised by the EEC, said that governments adhering to international agreements or treaties ipso facto accepted the obligations deriving from them. He assumed this was undisputed and therefore failed to understand the difficulties to which the representative of the EEC had referred. The proposal submitted by a number of developing countries contained no new commitment but merely called for the fulfilment of existing obligations. A standstill agreement in the form proposed would constitute a renewed undertaking by governments to honour their GATT commitments and apply GATT rules. This should be automatic, and it was inconceivable that contracting parties should be required to negotiate with the Community or with other contracting parties about their implementation of existing obligations. If existing agreements were held to require constant renegotiation the GATT would be placed in an impossible situation. Rollback was different in that it would be necessary to agree how to dismantle or phase out, within a given time-frame, measures not in conformity with GATT rules. These questions were indeed difficult, but they had to be solved if further liberalization in a new round was to be possible.

59. The representative of the European Communities agreed that the General Agreement was indeed a permanent standstill agreement, not only for tariffs, but also for all non-tariff restrictions. However, since the standstill had not been totally respected, there was a need to reassert existing commitments so as to create a sound basis for progress in the new round. However, these were serious commitments and they must be technically feasible. Ambiguities or contradictions might later be used as a means of escaping from obligations, and would give rise to disputes. The draft should be as clear and simple as possible, but since the sovereign right of each contracting party to act in the light of its own assessment of a situation could not be denied, there was a need for criteria against which violations of the standstill and rollback commitments could be identified.
60. The representative of Switzerland endorsed the concept of rollback but noted that it would be difficult to except rollback of measures which, even if they had restrictive effects, had been taken in accordance with GATT provisions or under waivers. He doubted whether any additional commitment regarding such measures would be such as to strengthen the efficiency or the authority of the GATT. The elimination of measures inconsistent with GATT would certainly be desirable, but would require an essentially political decision which would be supplementary, and to some extent alien, to the GATT contractual framework. If it were not wholly credible it was doubtful how far such a commitment could make a positive contribution to the negotiations. Since the adoption of the 7(i) commitment in 1982 there had been a serious erosion in the authority of GATT rules and in these circumstances a commitment of that kind, which implied a simple return to the letter of the GATT, might not be appropriate. An effective rollback must therefore be an objective and the result of negotiations rather than a pre-condition for them: indeed if a fully effective rollback were possible negotiations would hardly be necessary. Clearly, urgent problems could not be shelved for the duration of the negotiations, but it was obvious that there was a degree of contradiction between the need to solve long-term problems and the solution of current difficulties. One answer to this might be to reach agreements which could be brought into force immediately, but only for the duration of negotiations, so as to provide a temporary modus vivendi and a necessary complement to the standstill.

61. The representative of the European Communities agreed in general terms with the views of the representative of Switzerland, particularly on rollback: without necessarily accepting his conclusions on procedure, they certainly deserved consideration. He also agreed with some of the views expressed by the United States, notably on further liberalization and on the importance of the link between standstill and rollback. In the matter of rollback, the objective should be to eliminate trade restrictions progressively as economic recovery and the negotiations proceeded. The areas to be covered should include tropical products, services and tariffs, etc. He warned against intellectually impeccable commitments which could not be applied. Further clarification seemed necessary on certain points in PREP.COM(86)W/3, notably on the nature of the commitment said to be required prior to launching the negotiations. In the Community's view a clear agreed undertaking was necessary so that its burdens would be equitably shared. The Community would also wish to know how the general undertaking would be implemented in the case of agriculture and textiles. The Community would not object to the proposition that measures inconsistent with the MFA would be covered by standstill and rollback, but if the proposition was that the MFA must be dismantled over the next three years the Community would not be able to agree. A precipitate return to the situation before the Long Term Agreement, which had given rise to the need for a special régime in textiles, would not be acceptable.
62. The representative of Brazil said that PREP.COM(86)W/3 proposed the rollback by developed countries, in favour of developing countries, of measures inconsistent with GATT. It appeared that there were difficulties among developed countries as regards rollback which might make it impossible for measures involving these countries to be dealt with in the same time-scale or in the same manner as measures affecting developing countries. There might even be a need to negotiate rollback where developed countries were concerned, though on this point developing countries would refrain from intervening. However, the same problems could not arise between developing and developed countries, since in no case could the former be required to reciprocate for the removal of measures taken against their exports in violation of GATT provisions. Nor could developing countries be required to accept a rollback commitment, since they had introduced no measures which were not in conformity with their GATT obligations. A clear commitment to phase out illegal measures was necessary, and this would necessitate multilateral discussion in order to ensure that individual commitments by developed countries would in fact meet the objectives developing countries had in mind, but such discussions would be quite different from negotiations in the context of a new round.

63. The representative of the European Communities, with regard to the argument that rollback should be done on a preferential basis, said that it would seem to be inconsistent with the m.f.n. principle to eliminate restrictive measures only with respect to certain contracting parties. On the other hand, it had been suggested that any decision to phase-out should include textiles and clothing. How would this proposal be applied in the context of a renegotiated Multifibre Arrangement, or did it imply termination of the MFA in July? And how would the proposals in PREP.COM(86)W/3 apply to agriculture and steel?

64. The representative of Brazil said that since many illegal measures had been introduced by developed countries in violation of the m.f.n. principle, defence of that principle should not be advanced as an argument against the proposal to rollback illegal measures affecting developing countries. Moreover, the principle of more-favourable treatment for developing countries, as embodied in the Enabling Clause for example, could very well be invoked in this context. The omission of any specific reference to agriculture in PREP.COM(86)W/3 reflected the fact that the essential problem in agriculture was to bring the sector under normal GATT disciplines. At present there existed no effective disciplines which could be invoked. In the case of textiles and clothing however the position of a number of developing countries was that trade in that sector should be brought under normal GATT rules on the expiry of the MFA on 31 July. The existence of an agreed time-frame within which decisions on phase out procedures must be taken justified the specific reference to textiles in the proposal he had introduced.

65. The representative of the European Communities replied that the preferential implementation of rollback might be technically possible in cases where the measures concerned covered products where developing countries were dominant suppliers. But this was not the general rule. In the case of agriculture the problem was to bring it under GATT disciplines, not to phase
out measures as such. As for textiles and clothing, a return to GATT rules in this sector, if this implied return to the totally unbalanced situation of one-way trade which pre-dated the Long Term Agreement, would merely lead to a recurrence of disorder. Developed countries could not be expected to undertake complete liberalization of their markets while entry to the markets of most developing countries was effectively closed.

66. The representative of India said that the MFA must be recognised as an instrument of discrimination against developing countries. He saw no justification for the exclusion of textiles and clothing from current efforts to eliminate or phase out discriminatory measures which were inconsistent with GATT or not based on specific provisions of the General Agreement. Was it suggested that the MFA should be maintained and extended to provide developed countries with negotiating leverage to demand opening of the markets of developing countries? If so, this was not one of the objectives cited in the MFA. The MFA, as recent GATT studies have shown, was the most blatant and long-standing example of managed trade in existence and developing countries were firmly resolved to bring this derogation from GATT to an end, for the benefit of world trade as a whole.

67. The representative of Korea referring to his country's import liberalization plan, wondered why developed countries could not adopt such a liberalization plan, and suggested that the Ministerial Declaration incorporate a five-year dismantling plan for each sector and each item.

68. The representative of Colombia recalled that his Government's position on rollback was expressed in document L/5818, paragraph 8 A(ii). He said that an undertaking as suggested in the proposal put forward by Brazil should not raise major difficulties since it merely called for firm commitments to dismantle measures inconsistent with GATT. Developing countries which were subject to such illegal measures could not be expected to offer compensation for their elimination. The inventory of measures inconsistent with the General Agreement which had been prepared for the consultations on safeguards (Spec(82)18/Rev.3) would provide an indicative list of candidates for elimination. As regarded textiles, it would seem illogical and inconsistent for delegates advocating liberalization in the Preparatory Committee to argue in the Textiles Committee that the restrictive MFA régime should be maintained or made even more restrictive.

69. The representative of Ghana shared the views expressed by the representatives of Brazil, India and Korea, and stressed that the elimination of GATT-inconsistent measures in favour of developing countries should not be negotiable. If this was not going to be the case, he felt that some contracting parties would be reluctant to participate in the negotiations for fear that these measures might be used as a bargain in the negotiations and removed at a price.
70. The representative of the European Communities said that notwithstanding the criticisms often made of the MFA, the system had a number of advantages, notably its provision of guaranteed access to small exporting countries and new comers. Many problems had arisen not from the provisions of the MFA in themselves, but from their implementation. Even so, the Arrangement had produced many beneficial results, particularly for developing countries. The approach suggested by Brazil, India and others to the inclusion of textiles in the rollback exercise could dangerously undermine the negotiations on the renewal of the MFA, or even cause them to fail. The proposal that textiles trade should simply revert to the application of GATT provisions, including Part IV and the Enabling Clause, would not be acceptable to the importing countries. In textiles and clothing, developing countries had demonstrated their ability to compete very effectively on the basis of comparative advantage and there seemed no valid reason why trade in this sector should be subject to an inbuilt imbalance of rights and obligations, such as would result from the application of GATT rules as they now existed. Liberalization of trade in textiles and clothing could of course be accepted as an objective for collective and individual effort in the longer-term. The time span over which liberalization would be achieved would depend on the capacity of the contracting parties involved, in particular the exporting developing countries. Given a collective commitment and movement to liberalization, the objection to the application of GATT rules in this sector would disappear. A precipitate phase-out would however have serious effects on the market, hitting small developing country suppliers hardest. If there were no new MFA, those who had undermined its negotiation would bear a heavy responsibility for the consequences.

71. The representative of the United States, referring to the suggestion that the MFA should not be renewed in July, said it must surely be assumed that the governments negotiating on the future of the MFA - and negotiating bilateral agreements that would be based on it - shared the intention to provide a continuing legal framework for bilateral and multilateral relations on textiles. Any commitment on rollback, if it were to be realistic, must take into account both the existence of the present Arrangement and the renewed Arrangement to emerge from the negotiations in the Textiles Committee. It was in order to cover this point that the US had suggested that the commitment should include the formulation "the GATT and agreements negotiated under GATT auspices".

72. The representative of Nicaragua said that the proposed commitment to eliminate measures inconsistent with the General Agreement or not based on its provisions seemed entirely logical and reasonable. Its adoption should therefore not give rise to any difficulty.

73. The representative of Korëa thought that the existence of the MFA had induced complacency in the textile industries of importing countries by giving them a false sense of security. For this reason necessary adjustments had not taken place. A renewed MFA should therefore include a programme of liberalization, to make it clear that protection could not be permanent.
74. The representative of Pakistan said that the developing countries, having been obliged to accept an unjust and inefficient régime in textiles trade more than twenty-five years ago, seemed now to be expected to make concessions in return for the elimination of that régime. This was not acceptable and for this reason he strongly supported the call for a clear, simple and comprehensive rollback commitment as proposed in the document submitted by Brazil on behalf of a number of developing countries.

75. The representative of Australia welcomed the constructive contribution of the United States to the debate. He also welcomed the indication by the Community of its interest in a firm commitment to eliminate trade restrictions as economic recovery and the new round proceeded, but suggested that these qualifications would seriously erode the value of the commitment. The rate of economic recovery necessarily varied greatly between countries, and the current forecasts for the OECD were not encouraging. A rollback commitment must be regarded as a political commitment by the major trading countries in particular, to the success of the new round, and to the process of burden sharing to which the Community representative had referred. It could not be conditional on progress in the round. A standstill commitment must be comprehensive, covering all measures restricting or distorting trade, including export restitutions on agricultural products. The basic interests of all participants must be covered.

76. The representative of Egypt said that the elimination of GATT inconsistent measures should be the first step in a renewed process of trade liberalization. On the matter of textiles, he reiterated that trade in textiles and clothing should return to the normal principles and rules of GATT as from 31 July 1986. Egypt would be willing to participate in negotiations directed towards the elimination of the MFA on that date.

77. The representative of India said that it would be extremely unfortunate if it were to be accepted that the price for extension of the MFA, or for its elimination, should be the opening of their domestic markets by exporting countries, as the representative of the EEC had implied. Whatever the justification may have been for the original imposition for a special régime in textiles, it could not now be applied to influence the future course of events. Nothing in GATT could be held to justify continuation of the discrimination against developing countries under the MFA nor could the supposed benefits of this discrimination be supported. The MFA had been a temporary derogation from GATT, intended to create an opportunity for adjustment in the importing countries. It was now being argued that these countries needed further time to adjust, even though some EEC countries, for example, were already producing textiles and clothing at lower cost than the so-called low-cost suppliers. What was sought in the rollback context for trade in textiles and clothing was a clear demonstration of political will on the part of developed countries in a sector of crucial economic importance to their developing partners.
78. The representative of Chile noted that the Community had already warned that the standstill and rollback commitments should not apply to certain aspects of agricultural trade, and was now saying the same about textiles and clothing. It appeared that the Community had particular difficulties whenever a subject of special importance to developing countries was concerned. Both agriculture and textiles would have to be treated in earnest and in detail if the new round were to be successful.

79. The representative of the European Communities said that textiles and agriculture were subjects of great importance to the Community, as to other countries. Agriculture was indeed vital for the Community, which could not accept attacks on the Common Agricultural Policy which would threaten the foundations of the Community itself. As regarded textiles, however, the Community could certainly adjust, provided the burden of adjustment was fairly distributed. In describing the origins of the textiles régime he had not sought to justify discrimination but rather to demonstrate that the motivation for the creation of the MFA was respectable. The Community also had a textiles industry which needed protection from the intense competition of developing countries, so that while fair competition and free access could be accepted as a long-term objective, an agreed undertaking had to be developed on a feasible, not merely theoretical, means of attaining it. Korea's suggestion of programmed or planned liberalization might be one such means. But whatever means were adopted, each contracting party would have to make its contribution in a spirit of cooperation.

80. The representative of the United Kingdom speaking for Hong Kong said that it was clear from the discussions that had taken place so far that textiles and clothing had to have some special mention in the Ministerial Declaration. However, he wondered whether the right place to make that mention was in the context of standstill and rollback or in the context of the measures that would be needed to create the necessary confidence to launch the new round. As far as textiles and clothing were concerned, what was needed was to start a genuine process of liberalization of the textiles régime, through the negotiations now taking place in the Textiles Committee on the future of the MFA. Any agreed liberalization of the multilateral régime would have to be extended to the subsequent bilateral agreements and to their implementation, and failures in this regard would augur badly for the process of trade liberalization in the new round. This message needed to be put across in the Ministerial Declaration.

81. The representative of Yugoslavia said that the effect of the MFA régime had been to place the management of trade in this sector in the hands of bureaucracies. The intentions of those who drafted the Arrangement may have been wise but in practice its provisions have not been respected. Comparison of production indices for 1973 and 1984 showed that textiles production in many industrial countries had increased over this period, while in some developing countries, such as India, it had stagnated. In Korea, on the other hand, it had almost quadrupled. Exports from developed countries had increased at the expense of restricted developing suppliers, even where there
was no significant price differential. There were also very large disparities between industrialised countries in the level of access permitted to textiles from developing countries: 80 per cent of US imports came from developing countries, but only 30 per cent in the case of Sweden. GATT data also showed that the exports of non members of the MFA to the industrial countries had often increased more than those of MFA members, so that it was very difficult to perceive the benefits of membership for developing countries. All these problems should be carefully analysed before entering the next stage of the Preparatory Committee's work.

VENUE OF THE MINISTERIAL MEETING

82. Following statements by the representatives of the EEC, Canada and Uruguay, the Chairman announced that as the result of a very thorough process of consultation he was in a position to propose that the Ministerial Meeting should take place in the week beginning 15 September in Punta del Este, Uruguay. It was so decided.

SAFEGUARDS

83. The Chairman noted that two papers had been circulated on the issue of safeguards; one by Brazil (Prep.Com(86)W/3/Rev.1), on behalf of a number of developing countries; and one by the secretariat (Prep.Com(86)W/2). He invited discussion on the content of possible recommendations on safeguards.

84. The representative of Canada said that his delegation supported an objective-orientated approach to their work on safeguards. It would be better to focus on specific elements of an agreement, including the question of the m.f.n. application of safeguards, after consideration had been given to the objectives which should guide the negotiations. His delegation believed a wide consensus could be developed around three key objectives. First, a safeguards agreement should ensure that contracting parties did not use safeguard actions to prevent or unduly retard adjustment. Adjustment to competition, if it was fair competition, should be the objective. However, as the market liberalization which was expected to result from a major trade negotiation would stimulate adjustment, countries would be unlikely to negotiate such liberalization if they were not able, should the situation deteriorate, to temporarily slow down the pace of adjustment to enable business, labour and communities to adapt to the new negotiated situation. Second, safeguard action should be allowed only if the key Article XIX requirements of increased imports and serious injury, or threat thereof, were met. Third, the safeguard system should be designed to minimise trade disruption and to ensure that full access was restored within the shortest possible time. The Tokyo Declaration had called for the work on safeguards to be conducted "with a view to furthering trade liberalization and preserving its results". Failure to establish the credibility of newly negotiated access would detract from the potential value of a new round of trade negotiations in the view of the public.
85. The representative of Czechoslovakia said safeguards was a key issue for a new round. The objectives, in addition to those which appeared in the secretariat's note, should be to: eliminate grey area measures; outlaw discrimination; re-establish functional rules and minimise the disruption of trade flows caused by safeguard measures. The agreement should be comprehensive, based on the principles of GATT, binding for all contracting parties, should cover all non-tariff barriers and all sectors of trade, and should also become an integral part of the GATT. The preservation of the most-favoured-nation principle and the setting up of objective criteria for the determination of injury and prejudice were crucial. The agreement should be obtained at the early stages of the new round to take into account, if possible, the link between safeguards, standstill and rollback.

86. The representative of the European Communitiescommented on the paper circulated by Brazil on behalf of a number of less-developed countries (Section III of Prep.Com(86)W/3/Rev.1). He agreed that a safeguards agreement must be comprehensive as foreseen in the Ministerial Declaration of 1982. However, he could not endorse according priority to the issue of safeguards and in this context recalled that the decision by the CONTRACTING PARTIES in November 1985 had identified four areas, including safeguards, as important, but not priority domains. Safeguards was indeed an important subject and the establishment of effective machinery would be a necessary condition for progress through standstill and rollback to further trade liberalization, but this did not justify singling out safeguards as an issue for priority treatment. Whether a safeguards agreement would be based on the m.f.n. principle would be a matter for the negotiations, and could not be a precondition or an objective at this stage. The blind application of this principle, and insistence on a rigid interpretation of Article XIX, had created the problem of grey area measures which governments had taken outside the GATT. They had to be persuaded of the need to return to GATT rules. Article XIX thus needed to be adapted and modernised. The m.f.n. principle might also need to be reviewed, although this did not necessarily mean it should be abandoned. It would be shortsighted to limit consideration of safeguards to Article XIX. While at the time of the Tokyo Round attention was focussed exclusively on Article XIX, today it was recognised that grey area measures had been introduced in other areas of the General Agreement, for example provisions concerning anti-dumping and countervailing duties. If the distinction between grey area measures introduced as a means of avoiding use of Article XIX and those introduced in other contexts was used to limit the scope of the negotiation, there was a risk that the results might fail to cope with reality. Some progress had been made in this area since the Tokyo Round, notably in the understanding of certain elements concerning safeguards. These included: the identification of the dimensions and underlying causes of the "grey area"; the discovery that the length and inefficiency of the existing safeguard procedures made them ineffective in dealing with emergencies; the fact that the obligation of compensation could be avoided by resorting to grey-area measures; the temporary nature of safeguard measures; the link between regressivity of safeguard measures and the process of structural adjustment; and the importance of transparency. Further work was necessary to achieve an agreed undertaking, but this would only be hindered by attempts to develop interim solutions.
87. The representative of the United Kingdom on behalf of Hong Kong said it seemed to be generally accepted that there were at least two basic objectives in the new round; the liberalization of trade and the strengthening of the multilateral system. The latter was of particular relevance to the issue of safeguards. Strengthening meant reinforcing and adding to, and not detracting from, diluting or distorting, what already existed. The m.f.n. principle was a fundamental element of the GATT and should not have to be negotiated to be retained. On the other hand, selectivity was a concept alien to the GATT which threatened its existence. The practice of selectivity should be isolated to the Multi-Fibre Arrangement, and phased out in that context. Much had been said about grey area measures but it was the non-application of the m.f.n. principle which had led to distortion and escape into grey areas. His delegation agreed with the basic points in the paper submitted by the delegation of Brazil (Prep.Com(86)W/3/Rev.1) to the effect that the agreement on safeguards must be based on the m.f.n. principle; must be comprehensive; must clarify and reinforce the disciplines of Article XIX; and must be an integral part of the General Agreement.

88. The representative of Pakistan supported the statement made by the representative of the United Kingdom on behalf of Hong Kong.

89. The representative of Sweden on behalf of the Nordic countries said that safeguards was one of the most important issues in the new round, in particular because successful resolution of this problem would help re-establish confidence in the GATT system. Consequently, the broad objectives for future negotiations on safeguards should be to find a workable and comprehensive safeguard system which could resolve, or at least deal effectively with, the problem of grey-area measures. The safeguard system should help promote structural adjustment to new trading opportunities. He also recalled the previous suggestion made by the Nordic countries that in seeking a comprehensive solution, it might be appropriate to make special efforts to reach agreement on elements such as transparency, surveillance, time-limitation and regressivity. These considerations should be reflected in the Ministerial Declaration.

90. The representative of Brazil presented some further information on the thinking behind the document presented by his delegation on behalf of a number of delegations (PREP.COM(86)W/3/Rev.1). Though in this document standstill, rollback and safeguards were presented as closely related subjects, each was treated in a different manner. Safeguards, for example, was identified as a matter for negotiations to be carried out within a specific time-frame. The document did not suggest in detail how the negotiations should proceed and exactly what elements should be covered, as there already existed in GATT extensive material on these questions. The Ministerial Declaration of 1982 had identified the main elements of a possible agreement on safeguards. Unlike the representative of the EEC, who felt that it would not be appropriate to limit negotiations on safeguards to Article XIX, he believed that it would be very inappropriate to go beyond Article XIX. While it was true that grey-area measures had resulted from the misuse, or non-use, of several GATT Articles and not only of Article XIX. This should not be allowed
to obscure the fact that safeguard actions were emergency measures intended to deal with situations in which there was no question of unfair trade. There were other escape clauses in the General Agreement, such as the anti-dumping and countervailing provisions, to deal with unfair trade practices. These measures were of necessity selective because they were linked with unfair trade practices. Since under Article XIX no question of unfair trade arose, the m.f.n. principle should apply fully and selective application should not be considered. Under normal conditions it would be appropriate to negotiate a safeguards agreement in the context of a new round but in the present situation, where the dominant concern was to preserve the GATT, negotiations on safeguards should be undertaken immediately and independently of the results of any possible new round.

91. The representative of the United States said that there was general agreement that the safeguard provisions of the GATT were not working well and that the proliferation of grey area measures threatened the credibility of the General Agreement itself. There seemed to be a consensus that the question of safeguards should be included in the new round and that it should be featured in the Ministerial Declaration. The Contracting Parties had already given considerable thought to the matter; for example, in the 1982 Ministerial Declaration they agreed that efforts should be made to reach a comprehensive understanding on safeguards, based on the principles of the General Agreement. The elements listed in that Declaration still appeared relevant and thus constituted a useful point of departure in formulating a mandate for the new negotiations. Rather than presenting extreme positions, the Committee should seek a formulation that did not prejudice the position of any delegation. While the Committee should not attempt to establish priorities for negotiations in the new round, his delegation recognised the importance of the safeguards issue and agreed that an effort should be made to reach agreement as early as possible in the negotiations on a comprehensive safeguards understanding.

92. The representative of Switzerland said that although there seemed to be a consensus that Article XIX was not working satisfactorily, this did not mean that it should be discarded. Article XIX was drafted to meet a very specific situation which, although it presently did not arise very often, might be more prevalent in the future. The current problem was that new situations had arisen which were not covered by the General Agreement as presently drafted. These problems were linked not only to structural adjustment, but also to new forms of competition. The purpose of negotiation would not be to legitimise all measures which had been introduced to deal with situations which were not covered by the General Agreement but to respond to this challenge. There were other safeguard provisions besides Article XIX, such as Articles XII and XVIII, which were not fully satisfactory because they too were conceived for other situations than those prevailing at present. The system needed new rules so that the General Agreement would again be fully and exclusively applied. A distinction should be drawn between priority in substance and priority in time; while safeguards was a priority issue in substance for the future of the system, it was obvious that the problem would not be solved in the preparatory stages of the negotiation. In the secretariat paper on safeguards (PREP.COM(86)W/5) a reference should have been included to the existence of new situations for which new rules should be drafted.
93. The representative of Korea said that the safeguards issue revolved around the interpretation of Article XIX, rather than its amendment or the negotiation of new articles. Articles VI, XII and XVIII were not concerned. In the past, Article XIX had not been used adequately, because it had been convenient to ignore the Article or to bend its interpretation; this had led to a proliferation of "grey area" measures. The task, therefore, was to arrive at an honest, collective interpretation of Article XIX. However, this did not necessarily mean a choice, as some had suggested, between loosening or tightening the interpretation of Article XIX, but rather involved the clarification of its provisions. The intent of the original drafters of the Article should be respected. Three very important elements in Article XIX should be retained in the Draft Declaration. The first was the m.f.n. principle; selectivity was not contained in Article XIX. The second was that any safeguards understanding would have to be comprehensive. The third element was that Article XIX was intended to accelerate or stimulate structural adjustment; thus the notion of degressivity was an inextricable part of Article XIX. These elements should be featured clearly in the understanding on safeguards and should also figure in the draft Ministerial Declaration.

94. The representative of Japan agreed that safeguards should be included in the Draft Declaration as a priority item. However, the Draft Declaration should only provide a general direction; as different countries had different priorities for the new round, the new negotiation itself should give specific guidance for specific elements. While Japan wished to achieve a comprehensive understanding on safeguards in the new round, this would not necessarily exclude the possibility of an interim agreement concerning less controversial elements of the understanding. His delegation believed that efforts should be made to reach an early resolution of the negotiations on safeguards. Links with structural adjustment or other issues should be examined within the negotiations rather than in the declaration. The following wording on safeguards might be included in the Ministerial Declaration: "the negotiations should aim, inter alia, to establish a comprehensive understanding concerning a more realistic improved and more efficient safeguards system based on the principles of the General Agreement. Priority consideration should be given to this subject in order to strengthen the credibility of the GATT system, in view of the fact that increasing trade distorting measures have been endangering the foundation of the multilateral trading system".

95. The representative of Austria said that while his delegation was very interested in an agreement on safeguards, it did not want to speak about priorities as these differed among contracting parties. He sought clarification regarding a statement made in document Prep.Com./W/3/Rev.1, that safeguards was the first priority within a new round of MTN's and as such was a matter for agreement independently of the results of negotiations in other areas, at the very first stage of negotiations. Did this mean that the first stage of negotiations would be finished only as soon as there was an agreement on safeguards and that the second stage could not begin until the first had been completed? If so, he feared "priorities" could mean "preconditions" for the second stage, and could lead to a very long negotiation.
96. The representative of Singapore, on behalf of the ASEAN countries, said that a comprehensive agreement on safeguards between GATT signatories must be founded on the principles of the General Agreement, in particular the basic principle of m.f.n. treatment.

97. The representative of Chile said that it was very important to define the concept of prejudice, to establish rules on retaliatory compensation and to set up machinery under which the rules for safeguard action would be directly incorporated into the domestic legal frameworks of contracting parties. His delegation considered that the m.f.n. principle and the comprehensive approach were not negotiable elements. There was also the need for transparency in grey area measures. The following elements must be included in an agreement on safeguards: geographic coverage consistent with the principle of non-discrimination; demonstration of a causal relationship between imports and serious injury; the concept of prejudice or threat of prejudice; the temporary nature of the measure; degressivity; structural adjustment; and compensation, with the possibility of retaliation.

TREATMENT OF DEVELOPING COUNTRIES

98. The Chairman drew attention to a secretariat paper (PREP.COM(86)W/4) and a paper presented by India on behalf of developing countries contracting parties to the GATT (PREP.COM(86)W/15).

99. The representative of India said that the paper submitted by his delegation on behalf of developing countries contracting parties to the GATT should be seen as a further elaboration of the basic approach presented by developing countries in their previous statements on the subject, which were to be found in documents L/5647, L/5744 and L/5818. The paper contained a reaffirmation of the principle of differential and more favourable treatment as embodied in Part IV of the General Agreement and the Enabling Clause. As an integral part of the GATT and the MTN Codes, this principle must be strictly adhered to in any round of MTN's. The paper also elaborated on the implications of full and effective implementation of the principle of special and differential treatment and proposed that specific modalities should be devised to quantify its application. The principle of quantification would be agreed to prior to the negotiations, while the specific modalities for its application would be worked out during the negotiations. Finally, the paper emphasized the need to strengthen mechanisms for monitoring the application of special and differential treatment.

100. The representative of Bangladesh stated that his delegation fully supported the submission made by the developing countries in document PREP.COM(86)W/15. The elements contained in the paper were fully consistent with Part IV of the General Agreement. They were also in line with paragraph 7(iv) of the 1982 Ministerial Declaration and the decision contained in the same document on GATT rules and activities relating to the developing countries. Paragraph 3 of the paper relating to the treatment of the least developed among the developing countries was fully in line with paragraph 7(iv)(b) of the Enabling Clause and with the relevant provisions of the 1982
Ministerial Declaration and the Annex thereto. He recalled that the Annex referred to some concrete measures aimed at facilitating the trade of the least developed countries. These measures had not yet been implemented and there was thus a need for action in this regard. He also expressed the view that the proposal concerning the least developed countries contained in the paper submitted by the developing countries was relevant to the activities of the Sub-Committee on Trade of Least Developed Countries and the Committee on Trade and Development.

101. The representative of the European Communities noted that the principle of differential and more favourable treatment was not questioned, nor was it intended to renegotiate Part IV or the Enabling Clause. Thus it was questionable whether the principle needed to be reaffirmed. In any case, this fell into the category of issues described by the Community as subject to agreed undertakings. As such, it was difficult to consider this question in terms of prior conditions, since the principle of special and differential treatment was universally recognised. He said that it would be difficult to admit the quantification of special and differential treatment as a principle of negotiations. That would amount to establishing a new principle even before the negotiations had started. Moreover, there were serious doubts about the practicability of such a suggestion. It was a matter for consideration how the principle of special and differential treatment could be implemented in regard to particular subjects. This, however, was a subject for negotiations proper and not a matter on which preconditions could be set.

102. The representative of Chile said that the paper submitted by India reiterated the importance of special treatment for developing countries. However, he questioned the need to state that Part IV provisions were an integral part of the GATT, since the principle of special and differential treatment had been widely recognised. He also recalled the view previously expressed by his delegation that the negotiations could only be fruitful if they reflected national interests.

103. The representative of Brazil said that the paper submitted by India emphasized that there was no need to negotiate new rules to ensure more favourable treatment for developing countries. An adequate legal basis for any action in favour of developing countries already existed and it was necessary to find modalities for applying special and differential treatment in the next round of negotiations. These modalities should ensure that the principle of special and differential treatment was translated into meaningful results for developing countries. In this connection, decisions regarding special and differential treatment should not simply be left to developed countries in the absence of criteria collectively agreed upon in advance. It was only by permitting developing countries to benefit from the provisions of Part IV of the Enabling Clause that these countries could hope to achieve their long-term development goals and become full partners in the world trading system. Progress in trade liberalization was being blocked by the insistence of major developed countries that matters alien to the GATT be included in a new round of multilateral trade negotiations. The inclusion of such items as services in a new round was being proposed as a precondition not only for further trade liberalization, but also for the observance of previously accepted GATT obligations. This position was unacceptable.
104. The representative of Gabon said that commitments undertaken in previous rounds in favour of developing countries had not been honoured by certain developed countries. The submission by India on behalf of developing countries aimed to remedy this situation, and it spelled out certain undertakings to be accepted before the negotiations began. These undertakings would provide a guarantee to developing countries that they would effectively benefit from special and differential treatment.

105. The representative of Zaire expressed regret that the discussion on the treatment of developing countries had not been as fruitful as that of rollback and safeguards. In his delegation's view, it was not sufficient merely to recognise the existence of a principle. Efforts to implement that principle were also needed. As regards quantification he believed that this was needed in order to establish clear targets in the negotiations, and to ensure a more adequate implementation of special and differential treatment provisions.

106. The representative of Japan said that improvement of the trading environment for developing countries was one of the important objectives of the new round. Negotiations should give maximum attention to the interests of the developing countries. The Ministerial Declaration should clearly spell out the areas of negotiations in which developing countries could enjoy special and differential treatment. On the other hand, developing countries themselves should, according to their level of development and their trade situation, try to integrate themselves more fully into the framework of the GATT. The paper submitted by India deserved close examination with a view to identifying those elements which could be incorporated in the Ministerial Declaration.

107. The representative of Egypt endorsed the paper submitted by India. He said that the principle of special and differential treatment as reflected in Part IV and the Enabling Clause, was an integral part of the GATT which could not be questioned. He noted Japan's view that the paper submitted by India on behalf of developing countries contained elements which could be incorporated in the draft Ministerial Declaration.

108. The representative of Uruguay endorsed the paper presented by India on behalf of the developing countries. Differential and more favourable treatment for developing countries was not a matter for negotiation, since it was an integral part of the General Agreement which should be reflected in each of the areas of negotiation in the next round. He said that the quantification of the trade effects of special and differential treatment would be a way of giving an effective guarantee that such treatment would be applied. In the absence of quantification, there was a wish that the principle of special and differential treatment would not be adequately respected, or its application would be subject to the unilateral will of developed countries. The developing countries needed to be able to assess fully the application of special and differential treatment to the negotiations in terms of product coverage, the nature of concessions, the degree of removal of various obstacles to trade, and the timetable for the introduction of the results of negotiations.
109. The representative of Norway speaking on behalf of the Nordic countries said that the principle of special and differential treatment for developing countries was fully recognised and not in question. Part IV and the Enabling Clause were the results of extensive negotiations in previous rounds and they had become an integral part of the GATT system. There was no need to negotiate any new principles relating to the treatment of developing countries in GATT. Experience showed, however, that there was a need to promote the dynamic and efficient implementation of these principles for the benefit of all contracting parties and the multilateral trading system as a whole. With regard to the question of reciprocity, it had already been established in Part IV and the Enabling Clause that developing countries were expected to make commitments which were consistent with their individual development, financial and trade needs. The Nordic countries supported the view reflected in the paper circulated by the delegation of India that special attention should be given to the particular situation of the least developed among the developing countries. The secretariat note on this subject covered largely all the elements upon which a discussion on a text for the Ministerial Declaration should be pursued. Finally, he said that successful negotiations would produce results which benefitted all participating countries, developed and developing alike.

110. The representative of Yugoslavia supported the paper submitted by India on behalf of developing countries. The preparatory process for the new round offered the opportunity to ensure better implementation of GATT provisions in favour of developing countries. She expressed concern at the apparent lack of willingness on the part of developed countries to make real efforts to attain this objective. There was little evidence that developed countries were improving GSP schemes or removing their trade barriers, whether or not they were based on GATT provisions. The experience of the MTN Codes, and the Anti-Dumping Code in particular, showed that developed countries had used a number of provisions in order to adopt protective measures rather than to maintain an open and predictable trading environment. A clear commitment to ensure effective implementation of special and differential treatment would provide an indication to developing countries of the benefits they might expect from participation in the new round.

111. The representative of the United States said that Part IV of the General Agreement specified objectives for developing countries as well as for developed countries. The maintenance of an open trading system was fundamental to economic growth, particularly for developing countries. Developing countries were playing an increasingly important rôle in the global economy, but the pace of development and participation remained uneven among these countries. As the largest market for the products of developing countries the United States recognised the importance of the principle of special and differential treatment. The new negotiations must address this issue, given the need for the dynamic application of the principle, in order to ensure that it was serving its purposes over the long term. Simply to agree, at the outset, to the same type of special and differential treatment as in past negotiations would not adequately address the problems facing lower
income and less competitive developing countries. The Enabling Clause had been a useful mechanism for authorising temporary departures from m.f.n. treatment for the benefit of developing countries, involving a minimum of damage to the integrity of the General Agreement. The Ministerial Declaration should reflect an understanding that developing countries would participate more fully in the framework of rights and obligations under the General Agreement, commensurate with their individual levels of development.

112. The representative of Nigeria said that if one of the objectives of the new round was to improve the international trading environment, then this could not be attained unless the provisions already embodied in Part IV of the General Agreement were fully applied. The validity of Part IV and the Enabling Clause was not open to question. The application of the provisions of Part IV in their entirety would reinforce mutual confidence among contracting parties and strengthen the General Agreement.

113. The representative of Switzerland said that since the principle of special and differential treatment had not been questioned there was no reason to treat it as a subject of negotiation. The principle of special and differential treatment was intended to facilitate progressively the full participation of developing countries in world trade. Discussions in the Preparatory Committee indicated a widely shared view that it was necessary to be specific as to the modalities for applying this principle in order to meet the special and specific needs of developing countries. He also said that there was recognition of the dynamic nature of special and differential treatment.

114. The representative of Romania said that his delegation fully subscribed to the proposals contained in the document introduced by the delegation of India on behalf of developing countries. Recalling the previous discussions in the Committee of the question of non-discriminatory application of special and differential treatment, he reiterated his delegation's proposal concerning the inclusion in the draft Ministerial Declaration of a provision related to the non-discriminatory application of this treatment.

115. Thanking the developing country delegations that had taken the floor, the representative of India said that the paper circulated by his delegation was the result of a collective effort which reflected common aspirations and the collective will of developing countries to seek fuller and more appropriate application of the principle of special and differential treatment. The proposals made by developing countries were based on their experience of past multilateral trade negotiations, particularly the Tokyo Round, where the requirements of special and differential treatment had not been adequately met. That experience showed that the principle of special and differential treatment should not only be recognised and reaffirmed, but also appropriately applied both to the results of negotiations and to the negotiating process itself. That was why developing countries saw the need for quantifying to the extent possible the principle of special and differential treatment. Without such quantification, developing countries would be in a vulnerable position in
negotiations and there would be little room left for the application of the principle. There was a sense of unease among developing countries that a new round might be used to extract greater commitments from developing countries or make demands which would ultimately adversely affect their interests in negotiations. He said that those delegations who spoke about the need for reciprocity should not belittle the attempts that had been made by developing countries to introduce autonomous liberalisation measures, at considerable sacrifice to their own economies.

116. The representative of the United States said that he did not share the view that unilateral liberalisation measures by developing countries had been taken at a cost to their economies. Such measures should be seen by any contracting party as part of the system the GATT embodies, which was intended to bring about growth and development. He also could not agree that a decision on the treatment of developing countries could be viewed as a precondition for negotiations.

117. The representative of Austria reaffirmed his country's position regarding the validity of Part IV and the Enabling Clause, and repeated the view that no preconditions should be established for the launching of a new round. He stressed the need for a dynamic interpretation of the Enabling Clause, which should not be seen as a permanent exception to the GATT rules.

118. The representative of India said that in his previous intervention his intention had been to show that the position taken by developing countries in their paper was a result of their experience with past negotiations. The reference to the cost of unilateral liberalisation measures by developing countries aimed at emphasising that such measures should not be belittled, but on rather given due credit in the negotiations. In this regard, he wondered how many developed contracting parties had undertaken trade-liberalising measures in the last five years at any cost to their economies. In a new round, developing countries should not be placed at a perpetual disadvantage in the negotiating process. A clear commitment to this effect would be a step forward in the common effort to establish a basis on which the proposed new round could be considered.

119. The Chairman proposed that at the next meeting the Committee take up agriculture and continue with the other subjects in the same order as they were mentioned in PREP.COM(86)4. He said that the secretariat was working on a number of other papers that would be available to the Committee for its further work.