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from Article 113 Committee (Full Members)
dated 29 October 1982

Subject : GATT Ministerial meeting

In the light of the debate in the Foreign Affairs Council of 25 October 1982 and in accordance with its conclusions, the Article 113 Committee (Full Members) met to pursue its deliberations on the preparation of the Community position for the GATT Ministerial meeting on the basis of the Committee's work in Luxembourg on 25 October 1982 (1).

The Committee agreed on the attached text which contains essential elements of the Community's position on substance and is intended to serve as guidelines for the Community's negotiators in Geneva.

(1) See doc. 10435/82

I. GLOBAL VIEW

(Ad. para. 1 to 4 of GATT doc. PREP COM/W/33 REV 1)

1. The Contracting Parties to the General Agreement on Tariffs and Trade met at ministerial level from 24 to 27 November 1982 at a time when serious dangers threaten the multilateral system of trade. The dangers stem from :
 - the deep and prolonged crisis in the world economy, which is markedly lowering production and trade. In many countries, growth rates now are negative and unemployment is increasing at a considerable rate, the effect of this being to strengthen protectionist pressures;
 - the climate of uncertainty which exists in the international markets. This climate, fuelled by persistent inflation, high interest rates and exchange-rate instability, is a serious obstacle to the resumption of investment;
 - the current lack of convergence in national economic policies, such convergence being, however, an important condition for the resumption of sustained growth;
 - the particular situation of certain contracting parties, which, while ostensibly fulfilling their obligations under the General Agreement, are not in fact ensuring that their markets are open to international competition. This results in imbalances detrimental to the general stability of the international trade system;
 - divergencies in the balance between rights and obligations in GATT which result from the way in which individual CPs accept obligations compatible with their economic possibilities and from the absence in certain cases of an effective integration into the multilateral trading system;

- the deterioration in trading between the developing countries and the industrialised countries which has resulted from a combination of factors such as the collapse in commodity prices, the decline in external demand, the acute problems of debt servicing and the high cost of borrowing limitations in what can be achieved by official development aid , as well as certain limitations on access to export markets.

These dangers in the system have led to an increase in protectionist pressures and to severe strains on GATT disciplines and the functioning of the General Agreement, which in themselves have further threatened the multilateral trading system. In addition, trade patterns are increasingly affected by measures such as subsidies and other forms of assistance to domestic producers and by the existence of dual-pricing practices and other matters which distort trade which have contributed to increasing economic uncertainty, a fall in productive investment and delays in achieving the required structural adjustments. Moreover, there is widespread dissatisfaction with the application of GATT rules and the degree of liberalization in relation to agricultural trade, even though such trade has continued to expand; trade in textiles and clothing continues to be treated under an Arrangement which is a major derogation from the General Agreement - a matter of critical importance to developing countries in particular.

2. The Contracting Parties have acknowledged that since their last meeting at Ministerial level in 1973, international trade has grown twice as much as world production, despite protectionist dangers and tensions. The multilateral trading system has stood up to the successive crises it has undergone. Customs duties are now lower than they were ten years ago, the Tokyo Round has been completed, and its main results are being gradually introduced. Generally speaking, the opening up of economies and their interdependence are far more complete than at the end of the 60s. The slow growth in trade is not therefore essentially due to tensions in trade. On the contrary, in 1981 trade in agricultural and industrial products increased faster than world production.

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The Contracting Parties agree that overall reciprocity (1) and mutual advantage (1) are essential for the maintenance and expansion of free trade.

The Ministers recognize in particular that the task of recovery from the present economic crisis will be made substantially more difficult if the trading system is not reinforced.

3. En se réunissant pour parer aux dangers qui menacent le système commercial mondial, les PC's constatent que si le système multilatéral commercial a pu, jusqu'à maintenant, relativement bien résister aux pressions protectionnistes, les remèdes à la crise doivent être également recherchés en dehors du GATT.

Les PC's soulignent dès lors l'intérêt qu'elles portent aux travaux entrepris dans d'autres enceintes internationales, notamment aux travaux menés au FMI, pour réduire l'ampleur des fluctuations des taux de change, pour :

recréer les conditions favorables à la reprise des investissements, pour accroître le montant des ressources disponibles, et partant pour promouvoir le développement économique.

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(1) La délégation allemande a déclaré que les termes "overall reciprocity" et "mutual advantage" ne sauraient être interprétés comme signifiant respectivement "réciprocité bilatérale" et "équilibre bilatéral des balances commerciales".

4. (Ad. para. 5 of GATT doc. PREP.COM/W/33 REV.1)

The Contracting Parties recognize the need to restore and reinforce confidence in the capacity of the multilateral trading system to provide a stable and predictable trading environment and respond to new challenges. This calls for determined action on their part to reduce trade frictions, overcome protectionist pressures and encourage the liberalization and expansion of trade. They have accordingly decided:

- to reaffirm their commitment to abide by their GATT obligations and their support for the multilateral trading system, so that it may contribute vigorously to the further liberalization and expansion of trade;
- to ensure that GATT provides a forum for continuing negotiation and consultation, in which an appropriate balance of rights and obligations can be assured for all contracting parties and the rules and procedures of the system are seen to be effectively and fairly applied for the economic development and benefit of all; and
- to update, improve and strengthen the operation of the GATT system.

5. (Ad. para. 6 of GATT doc. PREP.COM/W/33 REV.1)

The Contracting parties recognize that the interdependence of national economies means that no country can solve its trade or economic problems in isolation. They therefore commit themselves to create, through co-operative action, a renewed consensus in support of the GATT system, recognising that the decisions which they are now taking will affect the development of world trade over the coming years.

6. (Ad. para. 7 of doc. PREP.COM/W/33 REV.1)

Determined to prevent unravelling of the multilateral trading system, the CONTRACTING PARTIES, collectively and individually, undertake :

- to resist protectionist pressures in the formulation and implementation of national trade policy and legislation, and to seek to avoid measures which would limit or distort international trade, and, where possible, to eliminate any such existing measures ;
- to reinforce their efforts, at both political and operational level, to ensure that trade measures are consistent with GATT principles, rules and practices ;
- to seek actively ways of reinforcing and improving the operation of the GATT system in order to further the continued expansion and liberalisation of trade.;
- to exercise their rights under the GATT with full regard for the trading interests of other contracting parties ;
- to seek agreed interpretations of GATT rules and provisions where differences arise and thus to avoid actions based on unilateral interpretations of new rules and provisions ;
- to take steps to redress the lack of balance between their present contribution and their real level of participation in international trade.

A cette fin, les parties contractantes ont en outre pris les décisions suivantes qui visent à mettre à même l'Accord Général, de faire face aux conditions économiques difficiles.....

.. SAFEGUARDS

As regards the Safeguard Clause, the Community has noted that negotiations for a full agreement on Art. XIX including some measure of selectivity in appropriate circumstances are not likely to be completed before November.

The Community notes nevertheless that some progress has been made in recent months, e.g. in the recognition that many safeguard actions at present are selective in nature and in a certain degree of willingness to accept such arrangements where they are agreed by the parties concerned.

The Community urges further work on these matters in order that the essential balance between some recognition of selective action and some greater discipline for the measures at present taken outside GATT to be achieved.

Pending these further discussions, and as a contribution to the objective of bringing measures at present taken outside the GATT framework within the scope of the system, the Community could envisage some further developments based on the present situation.

The existing factual study by GATT should be the subject of detailed discussion by the Safeguards Committee to facilitate a greater understanding of the nature and circumstances of many present safeguard actions and of the need to take account of these factors in any revision of GATT's safeguard clause.

Concurrently, Contracting Parties might accept, during the period of further safeguards negotiations, to inform the Committee of new measures (1) introduced by them outside the present GATT framework with a view to discussion in the context mentioned above (2).

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(1) version française : "... d'informer le Comité des nouvelles mesures..."

(2) Understanding : "though of course not to be the subject of any formal consultations or procedures in the Safeguards Committee."

AGRICULTURE

On agriculture, the Community confirms that a substantial work programme, (1) along the lines of that indicated in COM(82)678 final (p. 8) and carried out by a new GATT Committee established for the purpose, would be acceptable.

Noting further that some partners have proposed an immediate standstill, followed by a progressive reduction, of export subsidies for agriculture, the Community confirms that proposals of this kind are both impractical and totally unacceptable.

IV. INDUSTRIAL SUBSIDIES

It has been suggested that work on subsidies should extend to industrial subsidies under Article XVI.5. In view of the ongoing review in the Subsidies Committee, the Community considers that any such review does not seem necessary at this stage.

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(1) Le programme s'inspirerait des cinq principes suivants:

- instauration d'un système de notification des mesures agricoles assurant une plus grande transparence du secteur ;
- examen de toutes les pratiques ayant trait au commerce, à l'accès aux marchés et à la concurrence des produits agricoles, y inclus les pratiques de subventions et toute autre forme de soutien à la lumière des politiques nationales dans lesquelles ces pratiques s'inscrivent ;
- interprétation d'un commun accord et si nécessaire de certaines dispositions du GATT ;
- examen de ces questions dans une enceinte s'occupant uniquement de questions agricoles ;
- rapport aux parties contractantes dans un délai à fixer (de l'ordre de deux ans).

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D.C.'s

As regards developing countries, the Community confirms the main elements of its initiative (1) already put forward in Geneva, which should be vigorously pursued and which includes the following elements :

- a programme of possible measures in favour of the least developed countries ;
- an expression of political support to encourage developing countries to extend preferential arrangements among themselves;
- support for a feasibility study as part of the further work programme in order to establish whether the basis exists for future negotiations between developed and developing countries on a wide range of issues. This feasibility study would, in particular, examine the prospects for negotiations relating to GSP tariff advantages together with, as a counterpart, the concessions from certain more advanced developing countries guaranteeing access to their markets.

Bearing in mind the substantial progress already made in granting duty quota free access to the Community for products of export interest to LDCs, and the difficulties of engaging immediately any further general negotiations at present, the Community considers that the proposals indicated above represent a substantial effort to meet LDC requirements and the maximum that can be envisaged at this stage. Nevertheless, the possibility of individual concessions for certain countries on specific products in the light of further discussion is not excluded.

The Community notes that, for the developing countries, a new study of current textile arrangements and of the possibilities for changes in the future, is of major importance, and a major review is in any case provided for in the MFA. While the detailed terms of reference for this work still need to be elaborated, it is decided that the Community should participate in due course in such a study.

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(1) Cf. Commission working paper of 14.9.1982

VI. DISPUTES SETTLEMENT

As regards dispute settlement procedures in GATT, the Community is willing to envisage strengthened procedures for conciliation in dispute settlement cases and to discuss further how the process of decisionmaking, on the basis of panel reports and recommendations, might be further ameliorated. It will nevertheless be important to maintain the principle that panel (and subsequently GATT) recommendations should in future be adopted in traditional GATT fashion by consensus and should not have the result of imposing new obligations on Contracting Parties who are not willing to accept such commitments and are not in agreement with the interpretations of current rules which could lead to such results.

VII. OTHER WORK AND STUDIES

The Community notes that proposals for further work and studies have been made in a number of other fields not specifically mentioned above. Community positions on these matters should continue to be developed on the basis of Commission proposals and in continuing close consultation with the 113 Committee. The Community is aware that in a number of cases strong opposition to some such proposals has been expressed by developing countries and considers that this factor will be of major importance in the search for consensus on whether agreement to undertake further work is achieved, but the Community confirms its disposition to accept a GATT study of service trade issues, including whether GATT should be the forum for any further action.