

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Twenty-Fourth Session

SUMMARY RECORD OF THE FIRST MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 9 November 1967, at 3 p.m.

Chairman: Mr. K.B. LALL (India)

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1. Opening address by the Chairman

The CHAIRMAN recalled that on 30 October 1947 twenty-three governments had signed the General Agreement on Tariffs and Trade. At this twentieth anniversary session the CONTRACTING PARTIES would have an opportunity to reflect on the past achievements of the GATT and on the tasks that remained unfinished or had yet to be undertaken. He recalled with gratitude the services of all who had collaborated in the work of the General Agreement and recorded the appreciation felt for the outstanding contribution made by the Director-General.

With a set of contractual obligations, the CONTRACTING PARTIES had embarked in 1948 on multilateral negotiations to dismantle the barriers to trade. This was a first step towards the internationalization of commercial policy, dictated by the desperate need for sincere co-operation between governments. With the practice of bringing national trade policies and problems before the international community for discussion, consultation and in search of solutions, a gradual change in national attitudes had taken place. National trade policies were no longer a matter of purely national concern, responding to sectoral pressures and demands and ignoring the welfare of the world community. As a consequence the consideration of the problems of others became more compassionate and more constructive. In this sense the working methods of the GATT had matured.

The situation if the General Agreement had not been concluded would probably have been one of much higher tariff levels and of a much wider use of quantitative restrictions. Fortunately, this had been avoided and as a result, world trade, liberated from many restraints, had expanded enormously from a level of \$78 billion in 1953 to an estimated \$200 billion in 1966. Over all the volume of trade had increased in the same proportion: an increase of 150 per cent. The GATT could certainly claim some of the credit for having generated the atmosphere and for elaborating the techniques which permitted this great advance.

However, many problems remained unresolved and some sectors of international trade had yet to experience the beneficent impact of the spirit of the General Agreement. Whereas the value of world trade in manufactures had increased by 240 per cent between 1953 and 1956, the trade in primary products, including agricultural products, had expanded only by 86 per cent. Progress had also been slow in the case of primary and tropical products and the efforts to improve the terms of trade in favour of their producers had been inadequate.

The division of GATT Member countries into two categories - the developed and the developing - called for special treatment in many sectors of commercial policy beyond that already recognized in the text of the Agreement, until the economies of all the member States were sufficiently strong to derive equitable advantage from the provisions relating to equal treatment and equal opportunities. Increasing attention was being given to the removal of obstacles to the trade of developing countries and there was an increasing willingness to resort to other measures designed to enable the developing countries to participate in the expansion of world trade in a measure commensurate with their resources.

The Kennedy Round of trade negotiations had not fulfilled all the hopes for progress towards the objectives in this field. It seemed clear that time-pressures prevented the negotiators from giving to the problems of developing countries the attention they had all along intended to bestow on them. Yet it was inconceivable that international trading relations could be allowed to stand still at the point reached at the end of the Kennedy Round. The development of a new momentum to provide satisfactory solutions for the difficulties developing countries faced in the commercial field constituted an urgent task to which the contracting parties would devote their attention in the coming weeks. He briefly referred to the chief function the GATT Trade Centre had come to perform for the development of new trading opportunities for developing countries. Proposals for operating a joint Trade Centre between the GATT and UNCTAD would be presented for consideration by the CONTRACTING PARTIES. He felt it would be right and proper for the less-developed contracting parties to seek to concert measures for mutual assistance in the commercial field.

The completion of the Kennedy Round had ended two decades of substantial progress towards the creation of a world trading community. Yet the more basic problems of development had so far defied practical solutions. Sectors in

which further work remained to be done were easily identifiable and it was appropriate on the occasion of the twentieth anniversary of the GATT to renew the determination to mould commercial policies to developmental needs.

The Chairman welcomed the representatives of Switzerland, Yugoslavia, the Republic of Korea, Guyana, Barbados, Argentina and Poland, whose Governments had recently adhered to the GATT. The accession of Iceland and Ireland were expected by the end of the year. He stressed the special significance of the accession of Poland as another link between market economies and centrally-planned economies. Finally, the growing number of contracting parties and of observers demonstrated the confidence of trading nations in the GATT as a prime factor in their efforts to expand international trade.

The full text of the Chairman's address has been distributed in Press Release GATT/1009.

2. Statements by the observers from Hungary and Bulgaria

The Chairman welcomed the observers from the Peoples Republics of Hungary and Bulgaria which were represented at a session of the CONTRACTING PARTIES for the first time.

Mr. NYERGES (Hungary) said that the interest of his Government in the work of the CONTRACTING PARTIES was a practical one. A large part of Hungary's trade was carried on with contracting parties. His Government was facing a number of serious trade problems for which it was seeking solutions, not only by bilateral negotiations but also by multilateral arrangements. Many of these problems were under constant review by the CONTRACTING PARTIES and his Government's participation as an observer would help it to find practical solutions.

His Government would follow with great interest the more general aspects of the work of the CONTRACTING PARTIES. Special attention would be directed to the problem of preferences for the developing countries and to co-operation of GATT with UNCTAD.

Hungary had reached an appreciable degree of economic development both in industrial and in agricultural fields. This had a great impact on the country's foreign trade as every per cent of increase in the gross national product involved an increase of 2.5 to 3 per cent in imports. Hungary's method of economic management was to undergo a reform. Although the reform was not to change the planned character of the economy, it would enable to decentralize the economic decision-making process and introduce considerations of profitability at the level of individual enterprises. The Government was striving for a gradual liberalization of trade policy. A lengthy transitional period would

clearly be needed before full implementation. A new Hungarian customs tariff was being prepared and would come into effect from 1 January 1963. It would consist of three columns: one of preferential rates, a second of most-favoured-nation rates, and a third of general rates. These reforms would give an important impetus to the development of Hungary's external economic relations. The course of this development depended in part on the response of Hungary's trade partners to the elements of liberalization and multilateralization in the reform.

As far as the scope of collaboration with the CONTRACTING PARTIES was concerned, his Government felt that observer status could be maintained up to a time when further developments of the situation within the GATT permitted them to take more substantial decisions. The form that future possible collaboration could take was not to be set by any existing pattern; each case in his view should be considered on its own merits and the solutions that had been found in one case should not necessarily apply to any other. Hungary wished to acquaint itself with the work and problems of the GATT. It was ready to explore in a preliminary way some concrete problems with a view to finding practical solutions which would take into account the interests of all parties concerned. (The text of the statement will be distributed in W.24/8.)

Mr. POPOV (Bulgaria) expressed the hope that contact with the work of the CONTRACTING PARTIES would prove beneficial to all concerned.

3. Adoption of Agenda (L/2854/Rev.2)

Mr. WYNDHAM WHITE (Director-General) explained the reasons that had prompted him to include "Programme for Expansion of International Trade" in the provisional agenda. (The text of the Director-General's statement is annexed.)

It was agreed to include this item in the agenda.

On the suggestion of the representatives of Chad and Finland it was agreed to include the following items in the agenda:

Economic Problems of Chad
Adjustment of Specific Duties in the Finnish Schedule

The agenda as amended was adopted.

The meeting adjourned at 5 p.m.

ANNEX

STATEMENT BY THE DIRECTOR-GENERAL¹

After the herculean efforts of the Kennedy Round, it seemed to me that there would be a certain sense of anticlimax if the CONTRACTING PARTIES, having carried their work to the high point represented in the Kennedy Round, were to be confronted at this session with an agenda of an entirely routine character.

I was, on the other hand, sensitive to the fact that many governments would feel it appropriate and desirable that there should be a pause to regain our breath. I was equally sensible of the fact that a number of governments might feel that, with so many other important international discussions going on in this and related fields which will be engaging their attention, it would be inopportune at this particular time to consider matters of great substance and still more to consider them at a political level as I have suggested.

Despite my recognition of these undoubtedly relevant considerations, it did seem to me that there was on balance an overwhelming case for maintaining the élan and vitality of the organization, by surveying how far we have got along the road which Ministers charted for us in 1958, and by agreeing upon the guidelines which would enable us to carry our work forward in the years to come. It was for this reason that I have suggested that we review the action taken under the Programme for expansion of Trade and the extent to which its objectives have been attained. The work of the GATT in the last few years, including the Kennedy Round, has largely been the outcome of this co-ordinated Programme which was decided upon by Ministers in 1958 following a careful examination of trends in international trade by experts under the chairmanship of Professor Haberler.

That co-ordinated Programme called for intensified efforts to secure further reductions in tariffs, implemented first modestly in the Dillon Round and then more massively in the Kennedy Round.

The Programme pays attention in measured, perhaps cautious, terms to the problem of the contradictions and conflicts inherent in unco-ordinated policies of agricultural protectionism, rather than sounding a clear clarion call for freer trade in this area. It did suggest however that, through international consultation and negotiation, there might be some moderation in policies so as to mitigate the distortions and difficulties that are inherent in them if they are pursued too narrowly and without regard for their international implications. I have never seen this exercise as being directed against any particular country or any particular set of policies. In different degrees all countries have to face

¹This is the complete text of the statement, most of which was originally circulated as L/2906.

pressures and difficulties in the agricultural sector which dictate to them policies which, on strictly economic grounds, many of them might consider to be of doubtful wisdom. It is in a collective approach to this problem that we may find a middle course which will enable governments to confront the domestic problems which they undoubtedly have, in a way which does the minimum damage to international trade and to their broader economic interests.

Thirdly, the Programme for Expansion of Trade set in train a study in depth of the trade problems of the developing countries which formed the basis of the work of Committee III, produced the Action Programme, provided a good deal of the basic material which has subsequently been drawn upon in the UNCTAD, and which led to the codification of certain rules to govern trade relations between the developing and the developed countries in Part IV of the General Agreement.

I give this historical background because this Programme seems to be no less necessary today than it was when it was first laid down in 1958. Nor, despite the undoubted and massive success of the Kennedy Round, can one say that the potentiality of this Programme has been exhausted. There are important areas in which further efforts, perhaps of comparable magnitude, will be necessary in the future. Moreover, I do not think that the path on which the Ministers embarked is one from which full profit can be gained if one stops half way. I have, therefore, laid before the contracting parties certain ideas of my own as to the possible way in which we should try to move towards the fullest implementation of the Programme for Expansion of Trade.

In document L/2893 I have put forward some ideas in the area of industrial liberalization. In this area I have been very much impressed by our experience in the Kennedy Round. I think a great deal of time and, more importantly, a great deal of friction could have been avoided if there had been more international consultation before the major initiatives were taken which led to the launching of the Kennedy Round. Although it is clearly unreasonable to ask any government to commit itself, at this stage, to any future initiatives, I think there would be the greatest possible advantage in using this period of lull, so to speak, to start preparing for the initiatives of the future. I therefore envisage the work in this field as being done without any initial commitment by governments as to its outcome or even, perhaps, as to its objectives.

Many of you, I am sure, have been aware of the ideas that I have expressed in public about trying to work towards a free-trade arrangement embracing as broad a sector of production as possible. This I see as an alternative to the attempt to extend to a very broad geographical area the conception of regional integration which has been a very fruitful and important factor in development of international trade in the last few years but which I do not think can be extrapolated beyond certain natural economic and geographical regions.

As a natural starting point, I suggest that where there is free trade already this should be sound. Secondly, where the tariff protection is minimal I suggest that it be eliminated. Where tariff protection appears to make little sense, the possibility of removing it should be examined. An examination might be carried out, for instance, of duties on raw materials for industry. I also continue to feel that we should devise some means of moving away from the situation in which wealthy countries which are not themselves producers of tropical products continue to impose import duties and taxes on these goods, the main producers of which are the developing countries. I think we all realize that this is an anomaly, but that the special arrangements which exist in this area have a considerable political and economic significance and do not, therefore, yield immediately to pure logic.

I have also proposed that an examination be carried out of those sectors where the conditions of production and trade seem to point most logically towards moving to complete freedom of trade. Here I will be suggesting that we try to identify some of the sectors, particularly those where, unless some action is taken, quite considerable difficulties will become apparent because of structural problems which are already manifest, and that working parties, or expert groups, be established to examine these problems in depth, to weigh the advantages and disadvantages of moving towards free trade in these sectors and to advise on the problems to be overcome and on the methods and procedures for dealing with them.

It has been pointed out to me that the industries which one would first think of in this context are precisely those where many people, and in particular many Europeans, feel that the so-called technological gap is a major problem. This argument is not one which I find very impressive, because a problem of such magnitude cannot be much affected by the sort of margins of tariff protection which will exist after the implementation of the Kennedy Round results. Nor do I think that this particular approach would help us towards a solution. I think that it will become apparent that, once the techniques and degree of international co-operation in this free-trade proposal begin to be examined, the technological problem also has to be taken into account and dealt with. This is perhaps one of the best reasons for going along this road.

Lastly, in relation to industry, I want to refer to the question of non-tariff barriers. I have found it commonly assumed that, now that the tariffs are low, non-tariff barriers are of relatively greater importance. But looking back on the Kennedy Round I am struck by the fact that, while one or two specific measures were put on the table, there was a lack of real knowledge about what these non-tariff barriers are. I think that the subject is an important one, but I think that as a first step we ought to try to make an inventory of what it is that we are talking about. The inventory which I

suggest should not be compiled solely in government bureaux but in consultation with industries actively engaged in international trade. I suspect that we may find that a good many barriers notified are practices which are outside the field of government activity. It was recognized in the Havana Charter however that, in pursuing the objective of liberalization of trade, account had to be taken of the problem of restrictive business practices.

On the agricultural side, my proposals on which are contained in L/2860, I shall be less tentative. I have felt that one of the difficulties faced in the Kennedy Round in dealing with agriculture was that there was necessarily in the minds of many negotiators a sense of the importance of the equivalence of benefits to be derived from the industrial negotiations, on the one hand, and from the agricultural negotiations, on the other. For these delegations it was important to be able to show that what was obtained for agriculture, particularly in terms of market access, was comparable to what they were offering in terms of industrial access. The nature of agricultural policies is such that this was, in fact, quite unrealistic, but it did mean that suggestions and ideas which might present useful results over a longer term were put aside because they just did not fit into the pattern of reciprocity and equivalence of concessions which necessarily prevailed in the course of the Kennedy Round.

For this reason I think there would be great advantage in revitalizing Committee II which was set up under the Trade Expansion Programme in 1958. Some modification might be required in its terms of reference because, when established, the Committee was conceived of as a body for the examination and perhaps the confrontation of agricultural policies. I would conceive it now as an instrument for continuing international collaboration to bring about the better co-ordination of all aspects of national agricultural policies in the general interest; I would propose that we invite this Committee to initiate consultations on the principal sectors of agriculture on the broadest possible basis, with the objective of fostering this degree of co-ordination of all aspects of national agricultural policies. I should like to refer in this context to document L/2888 containing a report from the International Federation of Agricultural Producers. This report draws attention in most urgent form to the importance of undertaking without further delay an international programme along the lines that I have been suggesting. I mention this report because it does indicate that the producers organizations in all those countries where the sort of policies to which I have referred are followed are aware of the importance of trying to move towards a more rational system in the agricultural field. It is therefore likely that if governments take up this initiative, they can at least look to the support of agricultural producers in their own countries.

This I think is a valid approach generally, but I am more concerned about certain individual sectors from the point of view of timing. I believe, for example, that the exaggerations of national policies in respect of dairy products are already leading us into an acute and critical situation which, whether or not I were making these proposals, should induce the CONTRACTING PARTIES to organize a collective attempt to deal with the problem. This is not the first time that this situation has presented itself in the GATT which has previously been called upon to deal with the butter problem in the United Kingdom. Although we were not able formally to record a success in that case, certain arrangements were evolved which at any rate palliated a situation which was very acute and difficult. That situation was, however, nothing like as acute and difficult as the situation is now.

In this connexion, I would like to refer to a communication from the International Dairy Committee circulated as document L/2886. This supports the idea of international consultation on policies in the dairy field. The document also reports that

"the International Dairy Committee is deeply concerned about the grave deterioration in the outlook for dairy produce markets. The favourable season now drawing to a close in the Northern Hemisphere has added to the record stocks of butter, cheese and other milk products. These now overshadow the world's market and could lead to the most serious crisis in the dairy industry since 1961."

This is a statement which the CONTRACTING PARTIES cannot lightly overlook. The fact that the responsible representatives of the industry concerned draw this situation, which they described in critical terms, to the attention of the international body which has the responsibility of facing major difficulties in international trade represents a real challenge. The CONTRACTING PARTIES would be failing their responsibilities if they do not accept this challenge. So even though dairy products would obviously be cited as being amongst the products which would find a place in the sort of long-range programme that I am proposing, the present situation with regard to dairy products is such that it undoubtedly calls for more urgent action than in other areas.

I come finally to the questions concerning the trade of the developing countries. My proposals on these are contained in documents L/2898 and L/2875. We find ourselves, of course, confronted with a rather new situation in the sense that, in response to the urgency of the problems confronting these countries, governments have decided, in the framework of the United Nations, to set up a special mechanism to make a concentrated attack on these problems on the broadest possible front not confined to the rather technical trade matters which are the proper field of competence of the GATT. The United Nations programme has, inter alia, taken up the suggestion, first made in a Ministerial

Meeting in the GATT, of exploring the possibility of helping the developing countries by giving them a measure of sheltered access to the markets of the industrialized countries through a system of tariff preferences. In the circumstances, I think that it would not be useful for the CONTRACTING PARTIES to concern themselves, at this stage at any rate, with that problem which will obviously be a central matter of discussion in the course of the Second UNCTAD Conference in New Delhi.

It had been hoped that in the course of the Kennedy Round a number of industrialized countries would find it possible to exempt from the general process of the phasing of tariff reduction those concessions which they had been able to make on products of special interest to developing countries, thus bringing about accelerated reductions on a most-favoured-nation basis. I continue to think that this is an important matter which should be pursued in the session.

The Committee on Trade and Development is now analyzing the results of the Kennedy Round and will report as to how far matters on which developing countries had not obtained satisfaction in the Kennedy Round might now be considered for action. This obviously is a matter which, given the urgency of the problems of developing countries, we shall seriously have to consider at this session.

I consider that we should also set in motion a different kind of procedure for dealing with the relatively few, but quite significant, hard-core restrictions on imports which bear upon the interests of particular developing countries. Perhaps an objective expert enquiry into the basic problems which make it necessary for some governments to maintain these restrictions might enable us, working together with a common concern, to devise methods of collaboration designed to remove these restrictions.

We should also give serious consideration to the procedures for consulting with developing countries which, because of problems connected with their economic development, and the great strains that this puts upon their resources, find it necessary to deprive themselves of imports through import restrictions, or to tax their imports, despite the burden that this places on their own consumers, by unusual methods such as temporary levies or surcharges on imports. I have, in L/2875, proposed consultations, open to all the developing countries, which would enable them to set out their problems, not in any defensive way, but as a means of explaining what the difficulties are that motivate their restrictions and of consulting on what more positive methods might be used to overcome these difficulties. This I think would, among other things, do much to help the image of the GATT in the developing countries. I have the impression that a good many of their contacts with the CONTRACTING PARTIES have been of this defensive character, and this, naturally,

does not result in a very attractive image for the GATT. The fact is, of course, that this image does not correspond to the spirit in which our work is conducted. In proposing these new procedures I am not suggesting that the rules of the GATT be amended. These are valid and, inter alia, provide a defence for the governments concerned who often face pressures to take measures which are not in their countries' interests. What my proposals aim at is to adapt the existing consultations, and to supplement them with activity of a more positive character; this, I think, could be fruitful and certainly accord with the spirit and objectives of Part IV.

It was proposed in the Kennedy Round that there were certain efforts which could be made by developing countries to remove barriers to trade amongst themselves. A beginning was therefore made in the Kennedy Round to organize a set of negotiations aimed primarily at removing barriers maintained by developing countries which bore particularly upon the trade of other developing countries. As soon as the Kennedy Round was over, I consulted with the representatives of the countries which had participated in this exercise, and proposed that it be continued and be organized with the same sort of energy and purpose as had been brought to bear on the broader negotiations. If it were the opinion of the governments principally concerned that there was a clear objective to be sought, I would most certainly be prepared to head a Trade Negotiations Committee. We shall also be discussing this, with the benefit of the prior examination of this matter that is being undertaken in the Committee on Trade and Development.

In analyzing the results of the Kennedy Round one of the causes for a certain amount of disappointment for developing countries became much clearer to me. One can see that the negotiations produced very significant and important advantages for developing countries in terms of new market opportunities, but that these countries may not be able to take advantage of these opportunities. I have therefore come to the conclusion that one of the things we should do in the GATT is to utilize the resources of the International Trade Centre more directly on trying to assist the developing countries to exploit the new market opportunities which the Kennedy Round represents. In other words, we should concentrate on the types of products that developing countries have identified as of importance to them and where new market opportunities exist, but where these countries are not yet equipped in the trade promotion field to take advantage of them. We ought to aim at making the fullest use of the Trade Centre which we have built up, with some success, over the last few years and to mobilize it in order to enable developing countries to make the maximum use of the new market opportunities which, undoubtedly, will result from the massive and very widespread reduction of tariffs and trade barriers in the Kennedy Round.