

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Twenty-Sixth Session

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SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 18 February 1970 at 10 p.m.

Chairman: Mr. SULE KOLO (Nigeria)

Subjects discussed: 1. Expansion of International Trade

Speakers: United States

Uganda

Canada

Ghana

Chile

Nigeria

Brazil

European Economic Community

Mr. BRODIE (United States) said that his country endorsed fully the proposed work programme. He believed that the GATT was now on the threshold of an undertaking of great potential benefit to all contracting parties, who could look forward with reasonable confidence to another significant expansion of trade and consequent improved employment opportunities. The United States, despite the disappearance of its traditional trading surplus, adhered to the principle of freer trade. He referred to President Nixon's message to Congress on the proposed Trade Act of 1969 which had underlined the need for the United States to pursue, with other countries, the goal of expansion of world trade. The President had stressed the need for a serious and sustained effort to reduce non-tariff barriers and had sought approval for efforts to seek reciprocal concessions on these barriers. He had called for the elimination of the American Selling Price customs valuation system, seeing its removal as the door to new negotiations over the entire field of non-tariff barriers.

While there had been no major initiative in GATT since the Kennedy Round, the CONTRACTING PARTIES had engaged themselves in the careful and methodical work necessary as a basis for a further move to free trade. The Industrial Committee and the Agriculture Committee had now reached a hopeful and forward-looking position. He stated that the Agriculture Committee should produce tabulations comparable to those for industry, for all elements of import protection for tariff items in BTN Chapters 1 to 24.

His country favoured the adoption of a Declaration of Intent on the lines suggested by the Director-General, making clear the intention of contracting parties to proceed immediately to explore solutions to non-tariff barrier problems, in industry and agriculture, and to refrain from introducing new or intensifying existing barriers. With the establishment of the Joint Working Group on Import Restrictions, the CONTRACTING PARTIES now had an assurance that a co-ordinated search for solutions would be made for all facets of non-tariff barriers.

The United States was conscious of the need to increase substantially the export earnings of developing countries through improved access to world markets. At this session, action to implement all the commitments in Part IV should be called for. Developed countries should give special attention to removal or reduction of barriers affecting exports of developing countries. However, results could not be achieved unless developing countries themselves discussed their problems more actively in the Committees of GATT.

He pointed to the danger arising from the growing proliferation of special trade arrangements of a discriminatory character. The GATT was based on the generalization to all contracting parties of concessions and benefits. Contracting parties should accordingly, in dealing with trade problems, find solutions of benefit to all contracting parties. It was not possible to move towards freer world trade if at the same time the basic provisions of the General Agreement were being undermined or violated.

Mr. MUSOKE (Uganda) stated that although much had been achieved by the GATT during the last decade there was still much to be done. The time spent on stock-taking and preparing the inventory of problems had been useful, but it was time to move ahead and tackle the problems in a concrete manner.

The GATT was a useful instrument of international trade policy and, although his Government had not always participated actively in its work since its accession in 1962, it had followed GATT activities with interest.

His delegation was concerned with the indifference in the implementation of the provisions of GATT and the realization of its objectives which, in some instances, had been deliberately contravened, for instance by the conclusion of bilateral preferential agreements.

He referred to Part IV, which he considered the trade charter of the developing countries, as an important milestone in the GATT, marking a greater understanding of the trade problems of developing countries. He emphasized that more effort should be made to discharge the commitments entered into on behalf of these countries. He noted that two developed and two developing countries had not ratified Part IV, and he appealed in particular to the developing countries concerned to ratify if possible before the end of the year.

Referring to the inter-relationship between trade and monetary problems, he stressed that the efforts to reform of the international monetary system should aim at the liberalization and expansion of world trade.

Turning to the report of the Agriculture Committee, he noted that indiscriminate disposal of surplus commodities could have the effect of dislocating international trade and undermining the objectives of Part IV. He supported the adoption of a suitable resolution on this subject at the end of the session. He stated further that any studies undertaken by the Joint Working Party on Import Restrictions should also cover the products in Chapters 1 to 24 of the BTN. He called on the international community to adopt appropriate and rational adjustment programmes so as to ensure the economic utilization of resources in both developed and developing countries. He noted that although the agricultural sector posed a difficult problem to the international community, much could be achieved if the political will was forthcoming.

He called on the Committee on Trade and Development to take positive measures towards the realization of its objective of ensuring developing countries an increase in their export earnings and a greater share in international trade. On tariff and non-tariff barriers, he pointed out that enough studies had been made, and that it was time to move on to action.

Turning to the report of the Special Group on Trade in Tropical Products, he expressed the disappointment of his delegation about the failure to take appropriate measures on vegetable oils and oilseeds, and called for concrete action to be formulated and implemented as soon as possible.

Mr. Musoke also referred to the scheme of general preferences for developing countries and stressed that it should not be considered as a panacea for the trading problems of developing countries. He pointed out that at first view the preliminary offers by developed countries were rather disappointing. He stated that the scheme would not be of any benefit to his country unless its duration was for more than ten years, that it should also cover products in Chapters 1 to 24 of the BTN, that its escape clauses should not be invoked against developing countries, and that it should incorporate an effective certificate-of-origin scheme. He stressed that unless the scheme offered countries like Uganda appropriate equivalent benefits they would not find it advisable to abandon their existing preferential arrangements, such as those with the Commonwealth and the European Economic Community.

With regard to the technical assistance programme of the GATT he commended the International Trade Centre on the useful work it was doing, and expressed the gratitude of his delegation to the governments which had been making unilateral contributions towards the programme.

Turning his attention to the Committee on Industrial Products, he expressed the agreement of his delegation with the proposed Declaration of Intent on non-tariff barriers, and suggested that the date be fixed at 1 March.

He made a short review of the five working groups into which the work of the Committee had been classified, offering comments where appropriate, and noting points of agreement on their work programmes with the views of his Government.

He stressed the necessity to promote and increase trade among developing countries. Referring to the East African Common Market, he pointed out that regional economic integration could be one of the means for fostering trade among developing countries, and he expressed the hope that the East African Common Market could in the future become a true common market, emulating the more successful experiment in Europe. He concluded his remarks by calling on the GATT to take concrete action towards the expansion of international trade in the coming decade.

Mr. CLARK (Canada) said that his delegation agreed with the conclusions of the Director-General. He recalled that the Trade Expansion Programme had been established in 1967 to prepare the ground for a further round of GATT negotiations to deal with the many barriers still remaining. These barriers would have to be eliminated if GATT were to achieve its objectives. It had been recognized, in establishing the programme, that detailed preparation was necessary prior to negotiation. A number of recent developments had increased the need to complete the Trade Expansion Programme as quickly as possible and move into active negotiations.

The first consideration was to further the growth of developing countries. Several recent reports had established the importance of trade in promoting the development of these countries. Canada had tabled proposals in relation to the proposed generalized preference scheme, a scheme which should be temporary and which should not delay or inhibit elimination of barriers on a most-favoured-nation basis.

The second consideration related to progress in agriculture, which his country regarded as one of the most important parts of the work programme. Progress in this field should be commensurate with progress for industrial products. The Canadian delegation would find it difficult to envisage another meaningful round of trade negotiations unless it comprised significant progress towards free trade in agricultural products. It was encouraging to note that the Agriculture Committee had now agreed to explore mutually acceptable solutions.

The third consideration related to the possibility of the United Kingdom and other countries joining the European Economic Community. Because of the importance of the countries involved, a serious danger of trade diversion existed, particularly with regard to agriculture. Pointing out that possible trade diversion arising from the institution of the European Economic Community and the European Free Trade Association had been averted by the Dillon and Kennedy Rounds, he said that the most effective way by which the CONTRACTING PARTIES could mitigate adverse effects arising from enlargement of the Community would be to hold, at an early stage, another round of negotiations.

The view of Canada was that good progress had been made in the Committee on Trade in Industrial Products, particularly in its Group 1. The stage of negotiation on trade barriers generally had now been reached. He recalled a suggestion made by his delegation at the twenty-fourth session which would be raised again now that negotiations were imminent. His delegation proposed the use of sector negotiations, a technique by which all barriers, tariff and non-tariff, should be dealt with by commodity sectors in an organized and systematic way,

covering both primary and manufactured products. The problem of finding reciprocity or balance by sector was not a very difficult one since it was not necessary that concessions in each sector should be self-balancing but rather that overall concessions in all sectors should finally be balanced. It was the view of his delegation, furthermore, that the use of the sector approach in negotiations would reduce, if not eliminate, the possibility of distortion in tariffs. The CONTRACTING PARTIES should agree to examine at an early stage the feasibility of this technique for the forthcoming negotiations.

A number of broad conclusions and immediate conclusions could be drawn at this stage. There was a need for early negotiations, having regard to the advanced stage of the work programme. A result, even greater than that of the Kennedy Round, could be achieved from concessions in the fields of tariffs, non-tariff barriers and agriculture, and providing for the special problems of the developing countries. The more immediate objective, however, was to complete expeditiously the work programme and to set a target date to this end. It would be necessary to examine, also at an early date, possible methods of negotiation.

Finally, he stated that his delegation was prepared to work towards the initiation of negotiations in 1971, and supported the adoption of a standstill declaration on non-tariff barriers.

Mr. ASANTE (Ghana) agreed generally with the proposals of the Director-General. In particular, he hoped that negotiations would begin in 1971 for expansion of world trade, and especially of trade of developing countries. While developing countries had benefited from the unprecedented trade expansion in the previous decade, the difficulties which these countries encountered not only remained, but had actually increased. He considered that further expansion in this decade would depend on reducing tariff and non-tariff barriers, establishing internationally-supported agricultural policies under the auspices of the GATT, and taking steps to rejuvenate the trade of developing countries.

He said that developing countries should be encouraged to participate actively in Committees. Ghana was one of the developing countries which engaged in regular balance-of-payments consultations, consultations which were conducted in a sympathetic manner and which were aimed at finding solutions to basic problems.

He called for negotiations to eliminate duties on products of interest to developing countries, pointing out that industrialization in developing countries was discouraged by the fact that duties on processed goods such as plywood and cocoa butter were relatively higher than on raw materials. He suggested also that countries should consider the application of import restrictions on substitutes for natural products such as coffee and cocoa. He regretted that no solution had yet been found to the problem of vegetable oils and seeds, but expressed the hope that further examination of this problem would help evolve solutions to the problem of tropical products. He expressed appreciation of the work being done by the International Trade Centre.

Referring to the proposed scheme on generalized preferences, he said that GATT should develop its own programme rather than wait for the outcome of the negotiations on this subject in UNCTAD, which were likely to be delayed. Finally, he expressed the hope that the GATT, strengthened by increased membership, would tackle the problem of the future decade in a pragmatic manner but without sacrificing the fundamental principles of the Agreement. The contracting parties could make a valuable contribution by coming forward with bolder proposals; by helping expedite the implementation of the proposed system of generalized tariff preferences; by supporting vigorously the expansion of trade of developing countries; and by implementing liberally the conceptual breakthroughs already agreed on in Part IV, which should be appropriately interpreted, having due regard to the interests of developing countries.

Mr. BESA (Chile) said that after the Director-General's full description of the problems affecting international trade and the tasks that lay ahead it was evident that contracting parties were faced with the challenge of converting international trade into an effective tool for promoting the welfare of humanity.

If the guidelines which the CONTRACTING PARTIES would formulate in these meetings were to be effective, it was indispensable that they be agreed upon through mutual understanding of one another's problems. It was in this spirit of dialogue, as opposed to one of confrontation, that the representative of Chile wished to comment on the future tasks of GATT.

During the last year the problems affecting international trade had been identified, and the bases, on which negotiations could proceed, had been laid. However, before any round of negotiations could tackle the many problems confronting the GATT, it was indispensable to define the spirit and the philosophy in which such an exercise would be carried out. The idea that the purpose of negotiations was simply to free trade no longer responded to the economic imperatives of today. Though further liberalization could increase the flow of trade between developed countries and indirectly benefit developing countries, it was clear that no matter how substantially trade was freed it could not be a satisfactory solution for those countries which justly aspired to an equitable access to welfare.

The actual problem in world trade was that existing markets had proved to be too small to absorb the enormous production that resulted from technological progress. Various cases had been recorded in developed countries where production of certain goods had to be curtailed as a result of insufficient markets, in spite of the fact that developing countries could have absorbed the excess production, had they been economically able to do so. It was doubtful whether further liberalization, with the exception of some highly sophisticated products, would result in trade expansion. Consequently a new round of negotiations would be deprived of any historic or economic significance if it did not contribute in changing the situation wherein two-thirds of humanity were only marginal consumers in the world market. A transformation of the prevailing situation that would

permit developing countries to increase their capacity to import would not only cause an expansion of world trade, but would also spare developed countries from implementing the costly adjustment measures which they would have to take following a simple liberalization exercise.

The principle that more production could only be absorbed by more consumption was not new; however, it had not yet found its application in the actual framework of international trade. Any future round of negotiations with a view to liberalizing trade would also have to be a conscious exercise directed toward converting trade into a tool for development. Trade liberalization and development were complementary, though emphasis should be given to the latter. He believed that for all practical purposes the phenomenon whereby trade could foster development had not been sufficiently studied. Considering the high technical level that existed in GATT it was regrettable that this gap had not been filled by an adequate study.

In conclusion Mr. Besa made two concrete proposals: first, that any forthcoming round of negotiations be carried out with the declared and conscious effort to convert international trade into a tool for development; and second, that a group of experts be formed at the highest level to analyze scientifically the value of this principle. Should the group of experts reach positive conclusions they should then formulate the techniques for their practical application. The GATT was extraordinarily qualified to undertake this task, and by doing so it would find an expression for its universal vocation.

Mr. HOLLIST (Nigeria) said that the twenty-sixth session, coming at the beginning of a new decade, was an appropriate time to draw a balance sheet of the activities of GATT during the sixties, to set guidelines for the new decade, and to indicate priorities. The past decade, and especially its closing years, had witnessed a remarkable expansion of international trade; however, this could not be taken as an indication of similar trends in the seventies, particularly in view of recent international economic and monetary trends which gave grounds for apprehensions. He hoped, however, that future actions of CONTRACTING PARTIES would forestall these gloomy prospects.

Nigeria was on the verge of a take-off in its economic expansion, for which it needed the assistance and co-operation of the GATT which had the efficient machinery for searching and finding solutions to problems impeding the expansion of international trade.

Although the remarkable expansion of world trade in the sixties had benefited both the developing and developed countries, the share of the former had been comparatively very small. There had been a significant rise in the prices of some primary commodities in recent years; however, as past experiences had shown this could be short-lived. Moreover, the unpredictable price fluctuations of these commodities tended to undermine the efforts of developing countries to increase their export earnings.

He stressed that the basic problems of developing countries were three-fold: (a) stabilization of the prices for primary products; (b) diversification of exports, and (c) securing a greater share in international trade. Aid and development assistance could go some way in solving some of these problems, but they were scarce. Developing countries therefore preferred to rely on the expansion of international trade; and in this direction the CONTRACTING PARTIES could play a major rôle by helping remove the tariff and non-tariff barriers to their trade.

Progress had been achieved in 1969 in the implementation of the conclusions adopted at the twenty-fourth and twenty-fifth sessions and the preparatory work of identifying and quantifying problems had now been completed. It was therefore, time to embark on concrete action in the search of solutions to the problems confronting the developing countries.

He expressed the appreciation of his delegation for the progress made in the advanced implementation by some developed countries of the concessions negotiated in the Kennedy Round for a number of products, including tropical products of particular export interest to developing countries. He noted the discussions being held in UNCTAD for a generalized scheme of preferences in favour of developing countries, and emphasized that while waiting for the outcome of these discussions, priority should be given in the Tariff Study to products of interest to developing countries.

In a short assessment of the work done in the various Committees he pointed at the lack of political will to find solutions to the problems facing products of interest to developing countries. His delegation deplored the failure, both in the Special Group on Trade in Tropical Products and the Agriculture Committee, to find solutions to the problems of oilseeds and vegetable oils. Some developed countries had favoured a global approach with regard to the problems of oilseeds and vegetable oils. While such an approach might be desirable in certain circumstances, the urgency of the problem of developing countries, in his view, required priority attention.

He commended the Committee on Trade in Industrial Products for the work done so far. However, its progress fell short of the target set at the twenty-fourth session, and there was need for accelerating the search for solutions to problems already identified. Insufficient attention had been paid to the products of interest to developing countries. He welcomed the proposed Declaration of Intent. Such a declaration should not however, prejudice the obligations of the developed countries under Article XXXVII, paragraph 1 of the General Agreement.

Mr. Hollist commended the efforts made in fostering the expansion of trade among developing countries and welcomed the increasing dialogue among developing countries in this regard.

With reference to the International Trade Centre, he expressed his appreciation for the significant expansion in its activities and the useful services rendered by it. He appealed for more unilateral and voluntary financial contributions to enable it to expand further its programme and expressed the hope that the UNCTAD would increase its contribution to the Centre's budget. For greater efficiency and cohesion in its work, it would be useful to tidy up the administrative and budgetary machinery of the Centre.

Concluding his intervention he appealed to the developed countries in GATT to demonstrate the determination and political will needed to achieve the objective of liberalizing world trade. The CONTRACTING PARTIES should give urgent and priority consideration to the particular problems of developing countries. In this regard, there was need for appropriate machinery for the implementation of Part IV of the General Agreement. Finally, he appealed to contracting parties who had not yet subscribed to Part IV to reconsider their position.

His delegation hoped that the "Second Development Decade" would witness a further expansion of world trade and that of developing countries in particular.

Mr. GUERREIRO (Brazil) said that the world community was on the threshold of a new UN Development Decade and that all should join their efforts to devise an international development strategy for the next ten years. The objective of this endeavour was the promotion of sustained economic growth for developing countries as well as the narrowing of the income gap between them and the developed countries.

The CONTRACTING PARTIES had an important rôle to play. Their contribution could be directed towards a substantial improvement of the prevailing conditions which adversely affected the trade of the developing countries: (a) the liberalization of tariff and non-tariff barriers to trade in both industrial and agricultural products of special export interest to developing countries; (b) the adoption of measures designed to permit greater access to the markets of industrialized countries for manufactures and semi-manufactures from developing countries; (c) the establishment of close collaboration with UNCTAD for the implementation of the proposed generalized non-reciprocal, non-discriminatory system of tariff preferences for developing countries; and (d) the promotion of measures favouring the expansion of trade among the developing countries themselves.

In reviewing the programme for the expansion of trade he called attention to the persistent decline of developing countries' share in world trade. The continued failure of developing countries' exports to expand in line with total world trade meant a further reduction of their share in world trade.

His delegation was very concerned with finding ways and means to cope with this problem. In his view, this state of affairs was the result of the continued application of norms and conditions of trade which should have been modified long ago. It was also his view that GATT could make a decisive and positive contribution to the efforts of accelerating the economic development of these countries by promoting the necessary political will among its contracting parties, particularly the developed ones for the adoption of measures to favour the trade expansion of developing countries. The advanced implementation by developed countries of the Kennedy Round concessions in favour of developing countries was an encouraging example, notwithstanding the fact that these concessions had a marginal impact on the trade of developing countries.

The same forward-looking and pragmatic approach should be taken with regard to the proposed scheme of tariff preferences, which should be coupled with concrete action in the field of liberalization of non-tariff barriers affecting the export interests of developing countries. It was indispensable that the major trading nations commit themselves at least not to increase in any degree existing non-tariff and other barriers so as to ensure that the implementation of preferential treatment would result in tangible benefits for developing countries.

Another area of concern to the developing world was the prompt implementation, with precise interpretation, of measures already adopted both in GATT and UNCTAD. In this context he referred to the expectations created by Part IV, which unfortunately had been followed by disappointment. In his opinion Part IV should be complemented, given more precision, and adapted to the dynamics of development. A bolder approach was called for to meet the growing challenge facing the developing world so that measures could be taken to cope with their ever-increasing difficulties.

It was the considered view of his delegation that the task of re-shaping outdated structures and establishing a more equitable international division of labour was, to a great extent, the common responsibility of the contracting parties.

Mr. LUYTEN (European Communities) described the general orientation of the Community's thinking regarding what could and should be the nature and the elements of a new major stage in carrying out the programme of work. The results achieved by various Committees had shown that the research and the efforts made were necessary and useful, and were an encouragement to the continuation of the work in the direction outlined. Those results afforded a basis for the reflection necessary for exploring possibilities for concrete action.

The CONTRACTING PARTIES should now declare themselves resolved to move on to that new stage of active reflection in an open and constructive spirit, taking due account of all the legitimate interests involved and more particularly of the specific interests of developing countries. The CONTRACTING PARTIES might consider undertaking an examination of possible solutions to the problems that had been or might be identified, with a view to achieving further progress towards liberalization or a better organization of trade in the industrial as well as the agricultural sectors. In that context, the obstacles and problems affecting the development of trade of developing countries should be the subject of a special effort as a matter of priority.

The report of the Committee on Trade and Development recorded the positive action taken by certain contracting parties for the benefit of developing countries. It would be appropriate for the CONTRACTING PARTIES to show their intention not to neglect any possibility for action in that sense. The Community was convinced that the CONTRACTING PARTIES shared its conviction that the validity and sincerity of the search for further progress could be assured only if each partner fulfilled its responsibilities in sustaining the climate of confidence.

In that connexion, the CONTRACTING PARTIES should recognize that maintenance of that climate of confidence required, on the one hand, that each contracting party should individually strive to avoid aggravating the problems and obstacles and, on the other hand, that the CONTRACTING PARTIES, jointly, should see to it that all the provisions and procedures of the General Agreement fulfill their proper functions in all such fields.

In addition, the CONTRACTING PARTIES should agree to endeavour to take all necessary measures to permit the political and institutional conditions as well as the legislative provisions necessary for implementing any new multilateral action to be met, so as to make it possible to move from the phase of exploring possible solutions to the formulation of a concrete programme of action.

The CONTRACTING PARTIES would certainly wish to recommend that the work programmes of the Agriculture Committee and the Committee on Trade in Industrial Products should be carried out as expeditiously as possible and having constant regard to the need for objectivity and equilibrium, so that the concrete basis for exploring possibilities for action might be assured.

In conclusion, Mr. Luyten expressed the hope that the CONTRACTING PARTIES would recognize the Community's concern to contribute to the search for ever-increasing effectiveness of the work of GATT, and he reaffirmed its desire to co-operate and participate actively in the attainment of the objectives which the CONTRACTING PARTIES had set themselves.

The meeting adjourned at 12.45 p.m.