

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Twenty-Seventh Session

Page 118/119

## SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,  
on Wednesday, 24 November 1971, at 3 p.m.

Chairman: Mr. Carlos BESA (Chile)

- Subjects discussed:
1. Developments and Trends in International Trade  
and their Implications for Future International  
Trade Policy and Trade Relations
  2. Further Development of Trade Expansion Programme

Mr. SCOTT (Jamaica) stated that the current session of the CONTRACTING PARTIES was taking place in a climate of considerable uncertainty as to the future direction of world trade. This uncertainty stemmed from various factors such as the measures taken by major trading nations to restore general equilibrium in their economies through trade restrictive measures. He stressed that in this atmosphere of uncertainty the major objective of the twenty-seventh session should be to restore and maintain confidence in the General Agreement as a rational trade regulatory mechanism, and to help hasten agreement on outstanding issues. The conclusions of this session should stress the importance to world trade of a stable monetary system, even if monetary questions were outside the field of competence of the GATT. Action should also be taken to clarify the attitude of GATT towards preferential arrangements.

With regard to the interests of developing countries he emphasized that the work programme of the GATT should concentrate on such issues as ensuring the implementation of the offers of the developed countries under the Generalized System of Preferences; some strengthening of the GATT machinery might be necessary to supervise this. He welcomed the continued existence of the Group of Three.

Developing countries were interested in all measures for the solution of the various problems facing international trade under consideration in GATT, and welcomed the progress made in the non-tariff barrier areas of valuation, standards and licensing. However, action in these fields should not distract attention from trade problems affecting developing countries as a group.

Referring to the proposals concerning a working party on preferential arrangements, he pointed out that developing countries would for some time to come need the protection of various forms of special techniques for their trade and development efforts, a principle recognized in the General Agreement in Article XVIII and in Part IV. Moreover, the principle of preferential tariff treatment had long been allowed under Article II of the General Agreement, and later through various waivers and understandings, and recently through the acceptance of the Generalized System of Preferences.

The very fact that the most-favoured-nation principle had come under pressure implied that on its own, and without qualification, it had failed to provide a mechanism for dynamic trading, especially between countries with different levels of development. In past years, the CONTRACTING PARTIES had not been able to examine the need for special measures for the least developed among developing countries, nor had thinking on the principle of non-reciprocity kept pace with that on preferential arrangements. Through Article XXIV, contracting parties had managed to contain preferential arrangements and, although there had sometimes been almost irreconcilable views on the compatibility of various agreements, there had been no complaints that these arrangements had led to diversion of trade.

He hoped that the proposal to study preferential arrangements was not motivated by the desire to examine their consistency with the General Agreement, and that the exercise would not be a mere collation of figures. Given carefully drafted terms of reference, the study could yield useful results. Such a study, supplemented by country studies, should seek to investigate not only general trade flows but also the effects of a particular arrangement on the trade and development of a country; the employment and other social effects if the product was traded on a most-favoured-nation tariff basis; alternative trade and development policies which could be necessary to create conditions for removal of preferential arrangements; and the necessity for reciprocity in preferential arrangements.

He concluded by stating that the GATT provided a useful forum for the formulation of international trade policies and for maintaining order in international trade.

Mr. TOMIC (Yugoslavia) said that his Government attached importance to liberalization and expansion of international trade. The current session was taking place at a time when the world economic situation was giving concern. Considerable anxiety was felt in his country over the monetary crisis, the resurgence of protectionism, the spread of regional integration, arrangements providing for special concessions, and measures that were not consistent with the General Agreement. The economic situation of developing countries, which they had hoped to be able to improve in the course of the current decade, was in fact deteriorating as a result of that evolution.

Application of the Generalized System of Preferences by developed countries would be an important step in the right direction. The Yugoslav delegation hoped that countries which had not yet brought their system into operation would do so as soon as possible. On the other hand, the system could operate only if non-tariff barriers were eliminated on the products covered by it and provided no new barriers were introduced.

The developing countries were aware of their primary responsibility for their own economic development. Considering that mutual co-operation could contribute to that process, they had undertaken to liberalize and facilitate their reciprocal trade. To that end, certain countries had concluded within the GATT an agreement on reciprocal concessions; the ultimate objective was participation by all developing countries, taking into account the possibilities and interests of the less advanced among them. The CONTRACTING PARTIES had given encouragement to this self-help initiative and the countries participating in the agreement hoped that the results of the negotiations, which represented a modest contribution toward attainment of the objectives of the General Agreement, would be received with positive understanding. If as the speaker hoped, the CONTRACTING PARTIES accepted the draft decision at the current session, they would be demonstrating their moral support for the promotion of trade among developing countries. The various efforts undertaken with a view to developing that trade were all the more important having regard to the circumstances of those countries and the effects on them of the present situation.

Referring to the impact of the world economic situation on developing countries, Mr. Tomic noted that those countries should participate in preliminary consultations as well as in decisions on international trade and monetary questions, because the solutions to be sought should contribute to their development.

Monetary problems were affecting international trade and the restrictive measures introduced in that field because of them should be eliminated as a matter of urgency. It was not desirable to seek a solution to monetary crises through trade policy measures, particularly if those measures affected the developing countries, which were not responsible for those crises and whose balance of payments was generally in deficit. Part IV of the General Agreement laid down rules for such exceptional measures.

In the view of the Yugoslav delegation, one of the tasks for the current session was to overcome the feeling of frustration and uncertainty prevailing in trade circles; to that end, the CONTRACTING PARTIES should reaffirm the will of governments to take concrete action with a view to finding solutions to the questions within the purview of the GATT, and in particular to complete the work of identifying the major problems of international trade, already undertaken in the context of the trade expansion programme.

The existing disequilibrium should be eliminated between the results achieved by the Committee on Trade in Industrial Products and the Agriculture Committee. Yugoslavia attached particular importance to progress in agricultural trade and hoped that additional efforts would allow concrete solutions to be found.

In connexion with work on the trade expansion programme, the establishment of a group or sub-group of experts would be conducive to useful progress.

With the development of regional integration arrangements, it was important that the interests of third countries, and in particular of developing countries, be safeguarded.

In the expectation of solutions being found within the context of the GATT programme of work, the Yugoslav delegation supported the Director-General's proposals for action in the short and long term. As a matter of urgency, the

developed countries should proceed, on a preferential basis and without reciprocity, to eliminate quantitative restrictions and other non-tariff barriers on products of developing countries. The developed countries should implement the provisions of Part IV of the General Agreement and likewise the recommendations of the Group of Three. The Yugoslav delegation recognized the value of the work done by the Group and proposed that it be continued.

Mr. LARKAI (Ghana) stated that the objective of the GATT had been the liberalization of international trade to the greatest extent possible. However, after over twenty years of GATT practice, instead of global free trade one could witness a clear tendency towards large preferential groupings. This trend, instead of expanding a developing country's trade, had steadily reduced its income. The resulting recriminations between trading powers blaming one another for instituting protectionist measures or, in turn, for instituting preferential trading arrangements, had a disruptive effect on world trade, and had a particularly damaging effect on the interests of developing countries. It was in this atmosphere that some developing countries had found it necessary to resort to self-help by exchanging concessions among themselves.

His delegation shared the view that Article I of the General Agreement appeared to have become the exception to Article XXIV rather than the reverse, and that once the most-favoured-nation principle had disappeared, what was left was but a system of bilateral and multilateral arrangements operating against each other. It was the view of his delegation that the time had come for a thorough rethinking and review of the very principles underlying the General Agreement, as these seemed either inappropriate or inadequate in present circumstances.

He expressed support for the various proposals submitted by the delegations of Australia and of Sweden. He recommended the establishment of a high-level committee or working group to study, on a comprehensive and pragmatic basis, the whole system of present international trade with a view to discovering the factors which militated against the attainment of the objectives of the GATT, and also to analyzing the reasons for the rise of protectionist trends, and the possible factors which could lead to a reversal of these trends. He added that he could visualize a world, in the near future, divided into large trading blocks; it should also be the aim of the expert working group to find out whether or not this was a healthy trend. He suggested further that developing countries, at all stages of development, should have their interests represented so as to avoid a situation where they might be tempted to take independent action within GATT to protect their own interest.

He pointed out that recent trade measures instituted by some major trading partners were adversely affecting his country's net receipts from international trade and undermining efforts to rebuild Ghana's economy. He appealed to developed countries to take the interests of developing countries into consideration, when taking action regarding the present trends in world trade and in this regard, urged the United States to consider removing the surcharge on imports as soon as possible. He further urged developed countries to do their utmost to uphold the principles of Part IV.

He commended the recommendations of the Group of Three and expressed the hope that firm commitments would be made at the present session, since the recommendations were in keeping with the obligations set out in Part IV of the General Agreement. With reference to the specific recommendations on cocoa he stated that while a future international agreement on cocoa might be expected to cover questions concerning the removal of obstacles to the expansion of trade in, and consumption of cocoa, it should continue in the GATT aimed at the reduction and elimination of

Miss HARELI (Israel) recalled that the present discussion was taking place against a background of disturbance in the international monetary structure, of far-reaching trade measures taken by the largest trading nation, and of new developments in European integration, factors affecting every contracting party. Expressing her tentative reactions to previous statements, she noted that one of the tools envisaged by the CONTRACTING PARTIES to attain their objectives, set forth in the Preamble to the General Agreement, was the most-favoured-nation rule. However, it had been recognized in the Agreement that this rule would have to be accompanied by other measures which were not less valid. One example was Article XXIV, which recognized the desirability of increasing freedom of trade by the development of closer integration. It had also been found that non-discriminatory treatment as between unequal partners could actually conflict with one of the aims in the Preamble, that of raising the standard of living of all contracting parties. This finding had eventually led to the approval of the Generalized System of Preferences and the exchange of preferences among developing countries, both of which required a waiver from Article I. Her delegation held that the CONTRACTING PARTIES had, in approving the Generalized System of Preferences, shown ingenuity and readiness to facilitate the progress of developing countries. She stated that the System should be open to all developing countries, without discrimination, on the principle of self-election as provided for in the System itself.

However, the rules of the General Agreement had sometimes been infringed without recourse to a waiver or to any other provisions of the Agreement. One example was the textile sector, which was of particular importance to developing countries and accounted for one third of their total industrial exports. The Long-Term Arrangement permitted, without a waiver from Article I or XIII, the imposition of quantitative restrictions on imports of cotton textiles from specific exporting countries. She noted a strong tendency to extend this practice to other textile products and considered that such developments also raised the question of "erosion" of the most-favoured-nation principle and merited close and critical attention.

Referring to Article XXIV, she said that economic integration was closely connected with the basic question of equality between contracting parties. She recalled that the General Agreement had come into existence among countries whose very size, situation and trading relations varied markedly. She noted that some countries had already formed customs unions and large trading areas prior to their accession to the General Agreement. She therefore was of the view that other countries, especially smaller countries, must have the right to participate in customs unions and free-trade areas, and to seek access to larger markets, access which could not be achieved by adherence to the most-favoured-nation principle alone. She pointed out that the CONTRACTING PARTIES had examined the various integration arrangements in the light of Article XXIV, an Article which had equal validity with Article I. She stated that the enlargement of the European Communities created serious concerns for third countries who were traditional trading partners of candidate countries. In this connexion, she noted that the countries involved in negotiations for accession had declared their readiness to provide compensatory adjustments for impaired concessions.

Expressing a preliminary reaction to the United States proposal, she said that her delegation had some doubts as to the utility of the suggested study. The study, as proposed, could present a distorted picture of the situation if it concentrated only on tariff deviations from the most-favoured-nation principle; similar deviations arose also from non-tariff barriers. The study raised serious technical problems. Moreover, the findings of such a study would be quite open to different interpretations, given the equal validity of Articles I and XXIV of the General Agreement. Nevertheless, her delegation could agree to an examination of the whole range of problems, including tariffs and non-tariff barriers, in the light of all the provisions of the General Agreement. The CONTRACTING PARTIES would have to devise the best and most economical method of undertaking the exercise. The guideline should be to seek ways of using the existing GATT provisions, including the most-favoured-nation rule and other Articles, to further the objectives of the General Agreement for the benefit of all contracting parties.

In conclusion, she stated that her Government had studied and taken a positive view of the Swedish proposal.

The meeting adjourned at 4.15 p.m.