

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Page 125

## SUMMARY RECORD OF THE TENTH MEETING

Held at the Palais des Nations, Geneva,  
on Thursday, 25 November 1971, at 10 a.m.

Chairman: Mr. Carlos BESA (Chile)

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

Mr. DYETT (Guyana) stated that the GATT had contributed to the enlargement of world trade and provided a forum for the creation of the climate necessary for the advancement of trade of developing countries. Action taken by the CONTRACTING PARTIES to assist developing countries through the advance implementation of the Kennedy Round concessions on commodities of interest to these countries, the waiver granted for the adoption of the generalized scheme of preferences, as well as the useful commodity studies and training programmes undertaken by the International Trade Centre, all attested to this. But much had still to be done. There was the need for a rapid and sustained expansion of the export receipts of the developing countries. The gap between the living standards in developing and in developed countries continued to widen. The economics of developing countries remained undiversified, and their excessive dependence on the export of primary products for their foreign exchange earnings were being exacerbated by this situation. In short, Part IV of the GATT still remained largely unfulfilled.

He welcomed the recommendations made in the reports of the various committees and working groups and the work done in the areas of customs valuation, standards and licensing. He viewed with some concern however, the disappointment expressed by the Group of Three on the lack of implementation of its recommendations of April 1971, and the continued aggravation in the terms of trade of developing countries.

He would welcome proposals to set up a small expert group, if such a group would contribute towards the solution of the very serious problems facing the developing countries and, in particular, their agricultural exports. He felt that the evolution of policies among developing countries designed to create conditions for the growth of their economies, and their social and economic development, were steps in the right direction. He considered the initiative taken to work out the modalities for the expansion of trade between developing countries as constructive and forward-looking.

Mr. TASWELL (South Africa) referred to one of the major problems facing world trade, namely the emergence of two or three super economies in international trade, and the overwhelming influence they were bound to have on the future activities of GATT. In the past distinction had been made between exporters of primary products and exporters of industrial products, as well as between developing and developed countries. He believed that yet another distinction could be drawn, namely between the large and the small in economic terms. This distinction might, in time, prove to be of very special significance for some countries and the indications were that it was already having an influence on the day-to-day operations of GATT.

These super economies had, and would continue to have, obvious advantages in production, such as the scale of production, technological development, and a high level of prosperity. The existence of such large and prosperous markets could also have advantages for the economies of the smaller countries, but only if certain conditions were fulfilled: firstly, that the smaller countries had access for their products to these markets; secondly, that these super States did not use their vast economic power to force production and exports in all directions, and in particular into uneconomic agricultural production. A third condition was perhaps that large production units and multinational concerns should not use their power to stifle economic development and profitable business activities in the smaller countries! Although dumping formed part of this question, it concerned, above all, the marketing policies which these organizations applied. In this field the smaller country, as an importer, would obviously need all the means at its disposal to protect its own economic development.

With the emergence and development of the super economies it could be argued that the case for protection against imports by those countries had almost disappeared and that the only logical step for them would be to move towards freer trade. This was perhaps not yet true in the agricultural sector, although this concept might eventually also apply in this field. The balanced development of the smaller countries, however, was only possible with the aid of protection and, in the light of the changed circumstances in world trade, it would appear that the case for protection had, for the small countries at least, become stronger.

Mr. Taswell also referred to the expansion of the EEC, which was of great importance to smaller countries. South Africa had always viewed with understanding the efforts made within the framework of the EEC to promote the economic integration of continental Europe, but one could not imagine that the radical changes of trading and other policies demanded by the attainment of a greater Europe would leave South Africa unaffected. It was clear that his country might be confronted with serious export problems as a result of this development. In this connexion one could ask what had become of the most-favoured-nation rule of GATT and the principle of reciprocity. He did not question the right of contracting parties to make use of Article XXIV, but when

recourse to this Article was on such a broad basis that it resulted in a meaningful change in the pattern of world trade, efforts should be made to maintain the value of the basic principles of the GATT. His delegation's approach was that due cognizance should be taken of the possible adverse effects on the trade of other countries, including South Africa, due to the enlargement of the EEC, and ways and means should be found to minimize any adverse effects as far as possible.

Mr. HUGHES (United Kingdom) stated that in spite of the measures taken in the trade and the monetary field, world trade had continued at a high level and was in fact still increasing, although less rapidly than in recent years. However, it would be wrong to deduce from these facts that these measures would be less damaging than was feared. Effects of economic measures were always felt somewhat later and they would be this time particularly unwelcome, as in several countries economic activity tended to stagnate and unemployment was increasing. Like a growing number of countries the United Kingdom now faced serious unemployment problems. Other countries, which had displayed tremendous economic growth, also had similar preoccupations. It was therefore not impossible that the consequences of the measures taken in August would reinforce these unfortunate tendencies and provide an excuse or even an incentive to other governments to resort to protective action. This could provoke the danger of rapidly losing the gains won over the last twenty years, and made it all the more important that the United States surcharge and the proposal for the Job Development Tax credit were removed as soon as possible. This could probably be realized if the Group of Ten came to an early solution of the monetary problems.

Beyond the American measures there were other changes which raised necessarily the question as to whether the methods and techniques and even the broader policies that had hitherto been adequate would continue to serve as well in the future. The first of these changes was the emergence of the EEC as probably the largest international trading unit in the world and its enlargement which within little more than a year would be an accomplished fact. The second was the rise of Japan to a position of great economic power and formidable competitiveness in world trade. He felt that the former parity of the yen had contributed to the impact of Japanese competition, experienced by other members of the international trading community. This had imposed strains on the system of trade relations embodied in the GATT. The third change was the impending reduction or removal of the United States deficit which had been over the years a major element in world liquidity. A fourth change, of a different kind, was the emergence of the problems of the developing countries and the efforts made to raise the standards of these countries and to achieve a healthier equilibrium with the developed countries of the world.

These major changes had to be taken into account in considering any future course of action in the GATT. It would take time before things began to settle down in their new shape, and before the main participants would be ready to move forward to deal with the major problems of the 1970's.

Turning to future trade policies and trade relations, he considered the five proposals for short-term action made by the Director-General broadly acceptable. As regards the proposals put forward by Australia and by Sweden, he was doubtful whether there was yet sufficient clarity about the ultimate course of action to make it practicable to pursue them at present. He hoped, however, that there would be general agreement with the Director-General's proposal that a joint sub-group of the Committees on Industrial Products and Agriculture should examine how to approach and deal with tariff problems in all their aspects. This represented largely a natural evolution of work that was already under way in these committees.

Referring to the United States suggestion of a working party to examine the trade effects of customs unions and similar groupings, he had noted the difficulties and complexities of such a study, indicated by several delegations. Although he could see merit in an examination of past trade flows, he felt some doubt as to whether this was an appropriate task for a working party. In his view rather a full statistical study was needed, designed to take into consideration as objectively as possible all the factors affecting trade over the period examined and one which did not presuppose any single factor as having a preponderant influence. This objective would best be achieved by asking the secretariat to undertake a study to be completed if possible within six months, which could then be examined by the CONTRACTING PARTIES with a view to deciding whether further work would be justified.

The American proposal for a change in the procedure for examining the annual reports on arrangements under Article XXIV seemed to go further than was really necessary. If there was a case for improving this procedure, perhaps it could be met by some rearrangement within the present framework, for example by having a more intensive examination every second year.

He then turned to the important work relating to the trade of the developing countries. One valuable advance in that respect, the Generalized System of Preferences, had now been implemented or was on the point of being implemented by most of the developed Members of the GATT. He hoped that those few countries which had so far not done so would soon take the necessary steps, because the scheme had been devised as a balanced whole whose effectiveness would be impaired if it were not applied by all major industrialized powers. The abstention of any of these would risk throwing an undue burden on the others.

He believed that the Group of Three had made a practical contribution towards the further reduction of remaining obstacles to the trade of the developing countries and was satisfied with the agreement that the Group should continue in existence and pursue its work in specific areas.

In concluding, he welcomed the initiative by the developing countries which had resulted in the protocol concerning the trade negotiations. He hoped that agreement could be reached on the future handling of this question in the GATT.

Mr. PATEL (India) remarked that the last four months had witnessed a deepening crisis in the international monetary system which had adversely affected the international environment and prospects for trade and development. Apart from this, the impact of recent developments in political and economic fields had still to be fully realized.

One matter of great importance for all contracting parties was the process of enlargement of the regional grouping within Europe, the eventual outcome of which was of the greatest concern to many contracting parties and to all developing countries. Further efforts for expansion of international trade had to be directed towards remedying some of the basic deficiencies in the world trading system. From the point of view of developing countries the two most important deficiencies were the adoption by developed countries of all kinds of protectionist measures and safeguard devices which had stimulated uneconomic production and created serious problems for developing countries; and secondly, in the industrial sector, denial to developing countries of wider access to developed country markets for those goods for the production of which the developing countries had a natural endowment and the necessary technical skills.

With regard to the problems of world trade as a whole, his delegation believed that since the adoption of the Programme of Work at the twenty-fourth session, GATT had done significant work in analyzing various intricacies of trade in industrial as well as in agricultural products. At this session the CONTRACTING PARTIES should take interim steps which would enable them to undertake multilateral negotiations in 1973 or 1974. From that point of view, the CONTRACTING PARTIES should agree to the setting up of a Trade Policy Group as the delegation of Sweden had proposed.

Referring to the development of trade between developed and developing countries, he considered the Generalized System of Preferences to be a concrete expression of the will of the international community to establish a new trading relationship between the developed and the developing world. He stressed that all developed contracting parties who had undertaken to introduce generalized preferential arrangements in favour of developing countries, should do so without further delay.

With regard to developments taking place in the relationship between several developed countries, he referred especially to the accelerated movement towards enlargement of the regional economic grouping in Europe. At the appropriate time, the CONTRACTING PARTIES would have to make arrangements to deal with these matters in terms of the provisions of the General Agreement. He considered it opportune that the United States had drawn attention to the desirability that arrangements be made. Such arrangements should enable contracting parties to take care of their individual trading interests, and ensure especially that the interests of the developing countries were taken care of, while the process of enlargement was still under way. The European Economic Community and its prospective member States should, as a first step, ensure that no new barriers were created to the trade of developing countries. In this connexion he urged the Community and its prospective partners that any effort by them to harmonize the Generalized System of Preferences should provide access to developing countries under most favourable conditions rather than by contracting the schemes as presented. The ultimate objective should be to provide duty-free and quota-free entry, in the markets of the enlarged Community, to products imported from all developing countries. He appreciated that in doing so the members of the enlarged Community would have to devise measures to safeguard the trading interests of some of the developing countries which might be adversely affected in the process.

Another matter which he considered to be important and urgent was the United States import surcharge. Although his delegation understood the reasons which had made this measure necessary, he joined the appeals of other contracting parties to remove the surcharge without any further delay. He stressed that the imposition of the surcharge on imports from developing countries was contrary to the new trading relationship between developed and developing countries. He did not agree with the view that exemption of imports from developing countries from the surcharge was not possible on grounds of discrimination. The United States Administration had committed itself to the implementation of the Generalized System of Preferences, based on the concept of more favourable treatment to the developing countries, and he believed that exemption of imports of developing countries from the surcharge would have been fully consistent with that commitment. He therefore urged the United States to reconsider this matter. If complete removal of the surcharge was impossible, then at least imports from developing countries should be exempted on a non-discriminatory basis.

Another aspect in this connexion was the lack of positive suggestions for further efforts in GATT to resolve trading problems of developing countries. If the GATT had again to secure its legitimate rôle in this field, the contracting parties individually and collectively should adopt a specific programme. In the view of his delegation such a programme should include: First, full and immediate implementation of the Generalized System of Preferences as agreed upon. Secondly, further initiatives, especially in the context of enlargement of regional

groupings of developed countries, to widen the scope of product coverage and depth of tariff cuts in the Generalized System of Preferences, with the objective of moving towards duty-free and quota-free entry for imports from all developing countries. In doing so, appropriate measures should be devised to safeguard the trading interests of developing countries which were likely to be adversely affected because of movement in that direction. Thirdly, immediate implementation by all developed contracting parties of the recommendations made by the Group of Three. Fourthly, examination of the possibility of removal of non-tariff barriers affecting trade of developing countries, if necessary on a preferential basis. In that connexion the Committee on Trade and Development should examine techniques for undertaking such a programme within GATT. Fifthly, strengthening the rôle and activities of the International Trade Centre for promotion of exports of developing countries.

Addressing himself to trade among developing countries, he pointed out that, after several years of work, the developing countries had presented a concrete scheme for expansion of mutual trade. Some delegates from developed countries had very rightly described the preferential arrangements presented by sixteen developing countries as constituting a mini-GATT. Its expansion would eventually lead to the evolution of a most-favoured-nation rule as among developing contracting parties and make GATT a more dynamic instrument of trade policy. It would also provide an instrument within GATT under which purely preferential trading arrangements among developing countries could be subsumed so that in the near future all such arrangements which created discrimination between developing countries were abolished. He strongly urged the CONTRACTING PARTIES to approve these arrangements at this session.

He also referred to the proliferation of preferential trading arrangements. Irrespective of the question of compatibility of all these arrangements with Article XXIV of the General Agreement, it had to be admitted that progressively most-favoured-nation treatment had become an exception to the Rule. He therefore believed that it would be useful to examine the actual situation and take stock of the evolution of the General Agreement, and supported the study and the Working Party proposed by the United States delegation.

His delegation also supported the continued existence of the Group of Three.

Mr. TONG JIN PARK (Korea) expressed his satisfaction for some special efforts made by many developed countries to help developing countries in expanding their exports. He regretted however, that because of deteriorating terms of trade, the share of developing countries in world export trade was still declining, while their foreign indebtedness showed a steady increase.

He appreciated the valuable work done in the Committee on Trade in Industrial Products and noted that there was a consensus on adding further subjects to the programme. He sincerely hoped that no additional tariff and non-tariff barriers would be imposed affecting products of interest to developing countries. In this regard he found that in accordance with the provisions of Part IV of the General Agreement, far greater attention should be paid to the trade problems of developing countries in the future work of GATT. He reiterated in this connexion his support of the report of the Group of Three and the agreement to keep this Group in existence and thought that implementation of its recommendations would certainly contribute to solving some current trade problems of developing countries.

He further hoped that the CONTRACTING PARTIES at the present session would give the necessary formal approval to the arrangements resulting from the trade negotiations amongst certain developing countries. These arrangements would contribute to the expansion of trade among developing countries and strengthen the spirit of self-reliance and mutual co-operation. He urged other developing countries to join this arrangement so that the benefits accruing from this scheme could be equally shared by all developing countries.

He welcomed the implementation of the Generalized System of Preferences by several donor countries, but his delegation had already felt the need for further improvements of the systems with regard to their product coverages, amounts of ceilings and rules of origin.

He then emphasized the heavy dependence of Korean exports to the United States and Japan, amounting to, respectively 47 and 28 per cent of total Korean exports. It was therefore obvious that Korea was particularly concerned over the trade policies of these two major trading nations. He hoped that the United States surcharge would be removed as soon as possible. He pointed out that no less than 300 export items from Korea were subjected to this import surcharge. In expressing these hopes, he indicated, however, that his Government was not unsympathetic with the current financial and trade difficulties facing the United States and he remembered the many contributions the United States had made during and after World War II. On the other hand, the developing countries, which were not responsible for the current trade and financial crises, should not be unduly jeopardized by any protective trade policy or measures taken by developed contracting parties.

Turning to his country's trade relations with Japan, which in recent years had been characterized by serious deficits against Korea, his delegation felt particularly encouraged by Japan's viewpoint that an increase in export earnings of the developing countries was indispensable for their economic development. He welcomed Japan's implementation of the Generalized System of Preferences as well as the further reduction of items under import restrictions.

His delegation supported in principle, the proposal by the United States to establish a working party on preferential and special trading arrangements, as Korea was also concerned over any adverse effects emerging from such arrangements.

He also stated that his country continued to make every possible effort to further diversify its trade relations and was actively seeking to expand its export markets throughout the world. In doing so, Korea was guided by the principles of mutual respect and reciprocity as well as the spirit of equal partnership.

In concluding he indicated support for the Swedish proposal to set up a Trade Policy Group and expressed his satisfaction with the statement by the Director-General and the Report of the Group of Three with regard to their recommendations on further action to comply with the objectives of the General Agreement.

Mr. STEWART (New Zealand) observed that the CONTRACTING PARTIES were meeting at a difficult but interesting time, where the world was in process of rapid transition. Change, however, brought opportunities as well as difficulties, and the question was whether the CONTRACTING PARTIES acting together for mutual benefit, were going to help mould events or, through indecision, become by default mere spectators of the changing scene.

Some of the problems were of a temporary nature, such as the present difficulties posed for the European Community while it was in the process of enlargement, other problems were more profound and touched on the very principles on which GATT was founded. It was the view of his delegation that these problems could best be solved on a multilateral basis. His country was a firm supporter of the GATT, and would greatly regret any tendency to fragmentation, or to diversion from its central purpose.

He reiterated that he looked forward to a further major round of multilateral negotiations, on tariffs and non-tariff barriers, covering both industrial and agricultural products. Since 1967 a great amount of preparatory work had been completed, but, the way in which the various elements in any future negotiation would be linked together had not yet been examined. While he was not sure that all of this work could be done immediately, because not all the elements had yet been defined with sufficient clarity, he agreed that it would be timely to commence the work, and supported the objectives of the Swedish proposal. He endorsed the view that the approach must be comprehensive, and must include within its scope the study of integrating agricultural concessions into the total package. The Director-General's proposal for a joint sub-committee of the Committee on Trade in Industrial Products and the Agriculture Committee might be a solution to the organizational problems involved.

With regard to agricultural trade, he pointed out that the GATT had had minimal success in attempting to improve conditions in this area of its responsibility. He felt that a major effort, in the form of further trade liberalization moves, was now needed to help correct the present imbalance, which heavily favoured industrial traders.

He recalled that the benefits for agriculture in the Kennedy Round had been negligible and there had been no substantive progress in the Agriculture Committee. What should have been a progress report of the Agriculture Committee had turned out to be - once again - a report of no progress, except in the useful but strictly limited sense of fact-finding. None of the various proposals commanded an acceptable degree of support and in the meantime for countries such as his, dependent upon its agricultural exports for the greater part of its foreign exchange earnings, the weather had been cold and bleak. In some of the numerous proposals which had been put forward to try some way out of the impasse, he detected a note of desperation. His country strongly supported the valuable work that had been done in concluding a minimum price arrangement covering skimmed milk powder, and the useful steps that were now being taken to extend the arrangement to cover butter oil, and hoped this process would continue so as to include other dairy products. However, these were of relatively minor importance and the world expected something more substantial from the GATT, whose continued existence would be difficult to justify if this were the most it could contribute to the solution of the real problems facing contracting parties.

However, he looked to the future with optimism, believing the GATT could find a way to overcome the principal problems facing trade in agricultural products. Australia had advanced a proposal deserving the most serious consideration, and he was encouraged to hear the Australian statement that this proposal did not mean any abandonment of the existing rules of the GATT as they applied to agriculture. In fact, the main purpose of an expert group should be to consider how to make the present rules of GATT more effective. He noted that the Australian proposal referred to an independent group of experts, the members of which should, however, have an awareness of what might be acceptable to governments. Since the problems involved complex political and social factors very important to governments, he believed that government representatives might be more likely to produce more effective recommendations than a group working in a more academic or detached environment. He emphasized his support for the Australian proposal, complementing as it did the proposal submitted by Sweden, and expected that this group would make a helpful contribution.

It seemed to him that, because acceptable solutions to these problems could not be found, special groups were appointed as expedients. The basic fact which must be recognized, however, was that significant progress in the field of agricultural trade would not really be possible until some meeting of minds had been reached between the two largest agricultural producing units represented in the GATT. Each of these units had tabled its own proposals in the Agriculture Committee. Unfortunately, however, neither had displayed a sufficient degree of interest in the other's proposals to justify further examination in the Committee. Only in the course of a more detailed examination of the different proposals could one really begin to discern the possibilities for agreement and to isolate the substantive points of real difficulty. For too long in the Agriculture Committee arguments had been based on premises derived from separate philosophies

and doctrines. It was time that attention turned from philosophy and theology to the facts of the market place. A closer study of the practical possibilities might reveal a surprising amount of common ground.

He had been encouraged to hear the representative of the European Communities suggest earlier that the Agriculture Committee could now undertake a critical analysis of all the proposals that had been submitted to it in order to ascertain their advantages and disadvantages. If all members of the Committee could agree with this modest suggestion it might help to break the deadlock, and would at least represent a worthwhile advance on the present situation. This analytical work could proceed without delay, and in parallel with the work of any expert study group that might be established. He was confident that the major contracting parties would find a way of moving forward, towards a fair and equitable solution to the problems of international trade in agriculture.

Mr. RIBU, (Norway) said that his Government considered GATT to be an institutional guarantee that certain rules would be followed in international trade relations, as well as forming practical machinery for gradually reducing the barriers to world trade. The work in this direction was by no means finished. A variety of new obstacles to trade had arisen and his Government considered their quick removal to be of the utmost importance so that the GATT could turn its attention to further tasks of liberalization.

His country was at a crucial stage in its negotiations with the European Communities and believed that its participation in a wider European integration would not only strengthen the economy of the new member countries, but also enable them to benefit more fully from the international division of labour. He saw no contradiction between European integration and the furtherance of freer international trade. Once the negotiations in Brussels were successfully completed, his authorities, fully aware of their obligations under the General Agreement, envisaged a period of consultations with other contracting parties.

His delegation appreciated the anxieties expressed by the delegation of the United States concerning the so-called erosion of the main principle of GATT. It was willing to undertake a statistical exercise to measure the extent to which international trade had been affected by the agreements in question. The introduction of the Generalized System of Preferences had been an important move, not only to assist developing countries, but also as a means to do away with a multitude of selective preferential arrangements. His Government had made efforts to introduce the Generalized System of Preferences as rapidly as possible and he hoped that all other industrialized countries would implement their schemes within the time-table agreed upon in UNCTAD. His Government fully supported the efforts to extend co-operation between developing countries and was willing to approve the preferential arrangements worked out between sixteen developing countries. He hoped that the system would be extended, both as regards products and countries.

Concerning the tasks immediately ahead of the contracting parties, he stated that the collection of data on existing trade barriers had been very useful and was probably, in some areas, as near as possible to the point of actual negotiations. In other areas, the committees and working groups should now be instructed as to how to expand the range of their activities. The next stage should be the preparation for actual negotiations, and primarily a discussion of the techniques to be used in such negotiations. He agreed with the motivation and objectives of the Swedish proposal to set up a trade policy group to undertake these discussions and hoped that the CONTRACTING PARTIES would, in the near future, be able to reach agreement on this matter.

Mr. ARCHIBALD (Trinidad and Tobago) stated that, unlike the last decade, the international community had started the Second Development Decade with some overt acknowledgement of the need for special measures to further the trade and development of the developing countries. Part IV of the GATT, the Generalized System of Preferences and the establishment of the Committee to conduct trade negotiations among developing countries were such measures which recognized the need for special treatment if the developing countries were to emerge from their long history of backward social and economic conditions, for the benefit not only of themselves but of the world.

The view had been expressed that the proliferation of special preferential arrangements of a regional or other character might so impinge on the most-favoured-nation rule, which was regarded as the corner stone of GATT, as to change completely the character of this institution. It had therefore been suggested that there should be a re-evaluation of these arrangements in the light of the basic assumptions on which GATT had been founded. He considered that it had to be recognized that the world was changing and any institution of an international nature such as the GATT which did not adapt itself to such changes, might very well retain its form and appearance but become totally ineffective because of its inflexibility. Furthermore, the purpose behind the GATT was to increase trade between the nations of the world to the fullest extent possible in order to assist in the economic and social development of its member States. The most-favoured-nation clause was designed to achieve this end and, in his view, one had to look on the most-favoured-nation rule as a tool to be used towards the achievement of a desired end, rather than to think of the maintenance of the rule as an end in itself.

He did not mean that the most-favoured-nation rule should be abandoned, but rather that it should respond to actual circumstances, provided that any breach in its application did not have the effect of inhibiting the growth of world trade, or did not impair unduly the trading prospects of any member State.

He hoped therefore that any review of the GATT in the light of the special arrangements now permitted under its aegis, would be an objective assessment to determine whether the GATT in its present form and having undergone the changes that it had, was achieving the objective of expansion of world trade. If not, further changes could be considered to make it a more effective instrument in the stimulation of world trade, furthering the trading opportunities of all of its member States.

Turning to the special needs of developing countries, he said that a mere recognition of needs was not the same as taking positive action. It was unfortunately true that the developing countries had not seen much progress in their trade development.

As regards the particular problems in his country, he noted that it found itself, after nine years of independence, still bedevilled by the problems of high rates of unemployment, lack of diversity in its production and a high rate of importation. A major factor in the alleviation of his country's employment problem would be its ability to export the products of its industry, especially those which were most labour-intensive, or which relied primarily on the use of its own raw materials.

However, in the field of garment manufacture, pre-eminently the labour-intensive sort of industry which his country required and in which it was highly productive, restrictions were imposed under the Long-Term Cotton Textiles Arrangement and little regard was paid to the fact that his country was a late starter in exporting these products. Exports of rum were hampered from entry into many markets in developed countries, because of high taxes, bottling regulations, and other barriers. In the Kennedy Round, in which his country had given concessions to the best of its ability, the tariff on whisky, a product of developed countries, had been reduced in one of its most important markets, while there was no reduction in the tariff on rum, which affected seriously its competitive position.

The United Kingdom's accession to the European Economic Community was threatening his country's export market for sugar, together with other Commonwealth sugar producers and, although they had been given certain assurances, he remained, in the light of experience, somewhat apprehensive about future economic prospects. He made the general point that, in spite of all the undertakings, and doubtlessly good intentions, in practice the developing countries' trade situation was still deteriorating.

The initiative taken by the developing countries to help themselves in the matter of trade negotiations among themselves was, therefore, very important and deserved every encouragement.

Mentioning the monetary crisis, he feared that this was most likely to have the most serious consequences for the developing world, as already an import surcharge had been imposed by more than one developed country on the products of developing countries as well as developed countries.

He then stated that his delegation welcomed the proposal put forward by the Australian delegation that an Expert Group should be appointed to draw up concrete proposals regarding trade in agriculture and especially welcomed the thought that the group should take cognizance of the complex inter-relationship of the political, social and economic factors affecting agricultural policies, and that attention should be paid to the trade of developing countries. Special attention should be paid to the agricultural trade of developing countries, as this aspect was, to most developing countries, the most important in their trade.

He also supported the Swedish proposal for the appointment of a Trade Policy Group to prepare for a fresh round of trade negotiations, for he believed that the GATT must move forward purposefully if it was to survive. It should also realize that a great part of the world's peoples lived in developing countries, and the future of mankind might well be in the rapid development of these countries.

He finally hoped that the developed countries, in spite of their own social and political pressures, would never lose sight of the fact that the progress of developing countries was essential to the peace and progress of mankind as a whole.

Mr. JOLLES (Switzerland) said that the present session of the CONTRACTING PARTIES had focused attention on three basic problems which governments would have to solve if they wished to preserve liberalism in trade and to continue to reap its advantages.

The first problem, which called for speedy, intelligent and concerted action, was how to enable the community of nations to extricate itself without delay from the existing monetary impasse. The expansion of international trade was seriously endangered by the prevailing absence of security in the payments system and by the restrictive measures in the trade field to which it led.

The two other problems were of more particular concern to GATT and were the result of fundamental changes in the facts of international trade. One was the need to maintain a balance between regionalism and universality in trade relations; the other was the need for developing countries to share in the buoyancy of world trade. With regard to the last-mentioned point, he wished to emphasize the importance attached by his Government to the consideration of the difficulties encountered by the developing countries in expanding their exports.

So far as European integration was concerned, the developments in the situation would still further underline the responsibility of each of the contracting parties with respect to the liberalization of world trade. Progress at the regional level should be followed by similar progress at world level. As experience had shown, the establishment of regional groupings under Article XXIV led to an increase in trade with third countries, and it also made apparent the need for negotiations on a world-wide scale.

Once the need for future multilateral negotiations had been demonstrated, it was only realistic to recognize that certain important conditions must first be fulfilled. Among the first of those conditions was the removal of the United States import surcharge and the abandonment of the discriminatory application of the proposed fiscal relief in the case of capital goods. It was also essential that governments should take action to bring home to public opinion, business circles and Parliaments that it was necessary and useful to expand international trade. As time would be needed for that operation, it was necessary in the meantime to press on with the requisite preparations as part of the GATT programme of work, so that, when the time came, political decisions could be taken in full knowledge of the facts; in other words, so that those responsible would be able to form an opinion by degrees about the subject-matter of the negotiations and the methods to be followed. That was the purpose of the proposals submitted by Sweden and Australia and by the Director-General. Switzerland was prepared to support any decision or declaration of intent that might be adopted at the session on the lines of those proposals, for it was convinced that GATT was an instrument for trade negotiations that was still indispensable to the international community.

Mr. SANTAMARIA (Spain) said that the present difficult and uncertain situation could only be solved if the principal trading nations showed a real political will for co-operation. This was the responsibility of the developed countries, because of their share of international trade. He was concerned about the unilateral measures taken by various developed countries to solve the disequilibrium of their balance of payments. These measures not only had immediate effects on international trade but also constituted a precedent for the future. The surcharges introduced by the United States and Denmark were examples of these actions. In the case of the surcharge imposed by the United States, his country has suffered grave damage. Its balance of payments and trade balance with the United States were permanently negative and, according to the Trade Committee of the OECD, Spain was in the third place among the countries which suffered most from the measure. The surcharge had been accompanied by other international measures which affected imports and, furthermore, there was a risk that certain developed countries would compensate their exporters for their losses with consequential damage to the exports of developing countries which were not in a position to compensate their own exporters.

His authorities were also concerned by the way in which some developed countries applied their anti-dumping legislation. In certain cases anti-dumping duties had been established on the basis of a hypothetical possible future injury to the national industry and the refund of indirect taxes on exported products had been considered dumping. This was contrary to the provisions of paragraph 4 of Article VI of the General Agreement.

His delegation thought that the elimination of the measures referred to was necessary for the re-establishment of confidence in international trade and its future. To this effect, the CONTRACTING PARTIES had a fundamental task; it was their duty to supervise the compliance with the principal rules that governed world trade. His delegation supported various formulas and ideas which should lead to solutions and facilitate international trade. The Generalized System of Preferences was one of those formulas and should be put into effect by all developed countries as early as possible and should apply to all developing countries. The negotiations among developing countries that were awaiting approval by the CONTRACTING PARTIES constituted a positive though modest accomplishment for the development of international trade.

His delegation believed that the Committee on Trade in Industrial Products should continue its task, especially with regard to those fields that had immediate repercussions on trade, giving special importance to the studies on export subsidies and countervailing duties.

Concerning the Committee on Agriculture, his delegation was concerned at the impasse in reaching mutually acceptable solutions and supported the Australian proposal to appoint an independent group of experts. In his view it was necessary to determine first the terms of reference of such a group, the financial implications thereof and the criteria for selecting its membership. Competent and impartial experts would be fundamental for the success of the Group.

His delegation supported the Report of the Group of Three and hoped that its recommendations would be accepted by the developed countries.

His delegations also supported the Swedish proposal concerning a trade policy group. In its view, the movement towards regional integration was a positive step towards the expansion of international trade. A statistical study, such as the one proposed by the United States delegation, was not opposed by his delegation. He suggested, however, that the Council should examine the proposal carefully before a final decision was taken on this matter. The same applied to the two other proposals put forward by the United States delegation. Regarding the proposal to establish a calendar for the exchange of information on the various agreements under Article XXIV, his delegation agreed with the EEC that such reviews should be biennial.

In concluding, he recalled that in July 1971 his country had suppressed the requirement for prior deposits on all imports into Spain and said that his authorities were willing to continue their liberalization activities, including tariff liberalization, once the present uncertainties had disappeared.

Mr. SOLARI TUDELA (Peru) said that this session of the CONTRACTING PARTIES was being held in negative circumstances. He mentioned in this connexion the monetary crisis, the continued deterioration in international trade due to the disequilibrium in the balance of payments of the developed countries and the consequential restrictions imposed by these countries, in particular the 10 per cent surcharge imposed by the United States. Concerning the monetary situation, he felt that the measures to solve the present crisis should be taken with the participation of the developing countries. Concerning international trade, he asked the United States to eliminate the 10 per cent surcharge on imports from developing countries.

He reiterated that the Generalized System of Preferences should be put into effect by all developed countries which had not yet done so.

He considered the Swedish proposal for the establishment of a trade policy group as being complementary to the Australian proposal. He expressed support for both proposals, on the understanding that one of the objectives of the trade policy group would be the formulation of more equitable trading conditions for developing countries.

His delegation could accept the proposals by the Director-General concerning the short and long-term activities of the GATT. He was giving careful attention to the proposal by the United States that working groups be set up to study the different aspects of trade currents within preferential zones. He stressed that preferential agreements and arrangements for economic integration were closely linked with the economic development of developing countries.

He reiterated the satisfaction of his Government concerning the Report of the Group of Three and concerning the decision to convert the group into a permanent body.

His delegation hoped that the CONTRACTING PARTIES would approve the decision which would enable the implementation of the Protocol submitted by the sixteen developing countries.

Mr. MOHSIN (Pakistan) recalled that several events with far-reaching consequences for international trade were taking place. In this connexion he also mentioned future industrial pollution control measures. He also mentioned the present crisis in the international monetary system, which not only threatened to undermine the working of the monetary system, but also affected the trading conditions as well as the economic development of the developing countries. This occurred at a time when the international community should be seriously concerned with the implementation of the various measures embodied in the International Development Strategy of the Second Development Decade. He considered therefore the present session a unique opportunity to overcome the present impasse and to make the General Agreement a really dynamic instrument to further liberalization and expansion of international trade in general, and trade and economic development, of the developing countries, in particular.

In the past years, in spite of the good intentions of contracting parties, the trading position of developing countries had deteriorated further. The report on International Trade in 1970, prepared by the secretariat, showed that the trade surplus of the industrial countries had increased from \$0.5 billion in 1969 to \$2.5 billion in 1970, while the trade deficit of the developing countries had risen from \$2 billion to \$3 billion during the same period. Furthermore, a review of international trade and development presented recently to the Trade and Development Board of the UNCTAD had forecast that the economic growth of the developing countries for the present year would be somewhat lower than in 1970.

While he appreciated the specific measures taken so far by individual developed countries to implement Part IV of the GATT as well as the implementation by a number of countries of the Generalized System of Preferences, he could not refrain from expressing serious concern on the little progress made to solve the urgent problems of the developing countries. Their position had even undergone a further setback by the recent imposition of import surcharges by the United States and Denmark. Although he understood the reasons underlying these temporary measures, he pointed out that they were contrary to Part IV of the GATT, under which the developed countries had accepted a standstill as far as exports from developing countries were concerned; they were moreover contrary to the concept of the Generalized System of Preferences. Therefore developing countries rightfully expected that these measures would be removed as early as possible from imports from developing countries.

With regard to the Programme for Expansion of International Trade, he regretted that the work done in the two Committees, established under that programme, had achieved very little in finding solutions to the basic problems of international trade in industrial and agricultural products. Progress was even much less in relation to the trade and development problems of the developing countries. In view of the continuously deteriorating trade position of the developing countries, the implementation of this programme should be considerably accelerated. He recalled in this connexion that it had been agreed to pay particular attention to the problem of developing countries in the search of solutions under this programme. With regard to the Report of the Group of Three he reiterated his hope that its recommendations would be taken into serious consideration by the CONTRACTING PARTIES and by the individual governments concerned and that this session would fully endorse that early action be taken to fulfil them. He agreed with the proposal that the Group of Three should be continued.

He hoped that the CONTRACTING PARTIES would approve at this session the trade arrangements drawn up by a group of developing countries for the expansion of their trade, he also supported the short-term measures and long-term programme outlined by the Director-General.

He had noted with interest the proposals made regarding the establishment of an expert group on agriculture and a trade policy group as well as the proposal to have a working party on preferential arrangements. However, whatever decisions were taken in this field, he hoped that in the currently existing groups in the GATT, particular importance would be attached to the problems of developing countries.

Mr. MANSOOR (Egypt) said that the present crisis in the industrialized countries and the resulting trade difficulties and restrictions had serious consequences for the developing countries. It had to be remembered, moreover, that the developing countries had on several occasions asked the industrialized countries to augment their financial assistance and to take the necessary measures to increase exports from developing countries.

He noted that a proliferation of quantitative restrictions was imminent; measures had already been taken by the United States and Denmark and there was a danger that they would lead to a chain reaction. Those restrictions were the result of the successive monetary crises brought about by the failure of the countries concerned to take the necessary measures to restore equilibrium to their balance of payments.

In his delegation's view, the United States should exempt developing countries entirely from the surcharge because of its serious effect on their economies. And any other industrialized country adopting a policy of trade and financial restrictions should also refrain from applying it to the developing countries. It was also the duty of the industrialized countries to take as soon as possible the appropriate steps needed to adjust their balance of payments, without thereby producing unfavourable repercussions on the developing countries.

With regard to the position of the developing countries and their declining share of the world market, it had to be remembered that the developing countries needed both to increase their exports and to receive financial assistance, because diversification of their production was largely dependent upon that assistance. As to trade expansion, those countries had never ceased, and never would cease, to press for a proper share of international trade.

There were a number of solutions for the problems of the developing countries. All that was needed to apply them, and he emphasized the responsibility of the industrialized countries in that connexion. It was not merely a question of removing the barriers to the exports of the developing countries; steps must also be taken to ensure that their trade represented an adequate percentage of world trade.

His delegation had no objection in principle, to the proposal for new multilateral trade negotiations, but it considered that such negotiations should not be on the same basis as the preceding ones, in which insufficient attention had been paid to the interests of the developing countries, since that would represent discrimination against those countries. Consequently the main idea underlying the future negotiations should first be clearly defined.

The developing countries, in the course of their search for a solution to their problems, had submitted at this session a draft decision containing the principles of preferential trade between developing countries. The work had been done with the approval of the CONTRACTING PARTIES and certain countries had commented on it. The participating countries had hoped that a solution would be reached through compromise, and he was disappointed at the attitude of some of the industrialized countries whose opposition had hardened. His delegation asked that the draft decision on preferential arrangements among developing countries should be approved during the session and that the idea of new negotiations, if adopted, should be based first and foremost on the world trade interests and aspirations of the developing countries.

Mr. SAHLGREN (Finland) observed that the short-term outlook of the world economy and in particular of world trade, was one of serious instability. The consequent uncertainty and divergencies in the interpretation of trade interests could all too easily, through a process of reaction if not necessarily of retaliation, lead to a dangerous relapse into protectionism. This in turn could endanger the results of two decades of liberal trade policies and cause serious damage to the economies of all parties concerned, particularly to those heavily dependant on foreign trade.

His delegation was optimistic because an important evolutionary process was going on in general international relations, which could well pave the way also for a strengthening of economic and trade relations, not only between industrially advanced countries but also between the industrialized and developing countries. Much could be achieved, furthermore, in regard to the development of East-West trade. The ever-increasing interdependence in most fields of human activity would not, in the long run, permit trade relations to deteriorate beyond a certain point.

His delegation shared the view that the main task now confronting the CONTRACTING PARTIES was to study how GATT could best serve the present and future needs of international trade, so as to ensure its balanced and mutually advantageous development. Although very far-reaching concrete decisions might not be possible at the present time, at least a concerted effort should be made to see what possibilities might exist so that they could be referred to capitals for governments to discuss.

An appropriate way to get the work started could well be to establish the high-level, policy-oriented working group originally proposed by the delegation of Sweden and supported by many others. Such a trade policy group could provide a forum where the scope of global negotiations and the necessary techniques could be examined.

He believed that there might have been too much discussion during the previous two years or so exclusively about techniques. Although knowledge about appropriate techniques for liberalizing world trade might be useful, it took more than that to achieve results. Since the success of the Kennedy Round negotiations had depended to a large extent upon the inspiration given by GATT to governments, business circles and technicians of negotiation, the necessary impetus should again come from the industrially most advanced countries.

The meeting adjourned at 1 p.m.