

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 25 November 1971, at 3 p.m.

Chairman: Mr. Carlos BESA (Chile)

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1. Developments and trends in international trade and their implications for future international trade policies and trade relations
 2. Further development of trade expansion programme

Mr. PEPIN (Canada) said that the discussion was the more important because world trade relationships were at a cross-roads. For Canada, the future of the world trading system was of crucial importance. In some respects, the Canadian economy resembled that of the developing countries, since Canada was a producer and a major exporter of primary products and agricultural foodstuffs. But Canada was also a highly-developed country in terms of its national income and levels of industrial production. After referring to certain characteristic features of the Canadian economy and notably to the fact that the domestic market was limited, he observed that his country was heavily dependent on international trade. Canada was not a member of any trading bloc and it was conscious of the significance of the trading system based on the GATT to all nations, regardless of their stage of development.

Since the completion of the Kennedy Round negotiations, however, a number of difficulties had arisen in international trade relations. It was clear that, for several years, trends had developed which were contrary to the ideas which had prevailed when the General Agreement was signed. The immediate and overriding problem was to obtain the early removal of the United States surcharge and the withdrawal of the other proposed restrictive measures - DISC and the discriminatory features of the job development tax credit. Those measures, which were inconsistent with the provisions of the GATT, had a particularly adverse effect on Canadian trade and could seriously endanger the future of world trade. Removal of the surcharge was essential before there could be any real progress in the solution of present problems. Over the years,

United States leadership and constructive initiatives had been at the centre of the remarkable progress achieved since the war, and the strength of the United States economy was of importance to the trading world as a whole.

At the discussions to be held at Rome a few days later effective means should be found of resolving the current monetary situation. One way of helping to reduce the existing tension was that at present used by the United States and Canada to remove certain sources of irritation in their trade relations, namely to attempt to reach a bilateral agreement on a number of problems, in the hope that a way would be found of reaching a fair balance between advantages and drawbacks. Other countries might well proceed in the same way for if irritating problems that had arisen between certain countries could be solved, that might reduce the tension created by the present crisis.

He hoped that the problems posed by the United States balance-of-payments difficulties would be overcome as soon as possible.

With regard to the trading framework, the most-favoured-nation clause was at the very heart of the multilateral system of trade based on the General Agreement. But changes had taken place in trade relations as a result of the creation of new entities such as the European Economic Community and other regional trade associations, and the conclusion of a wide diversity of special preferential arrangements. Those innovations, which involved departure from the most-favoured-nation principle, had all been the subject of consultations under the GATT rules; but that process had not always been as effective as could have been wished. He suggested that an objective assessment be made of the implications of those regional developments for the trading system as a whole. Perhaps there had been too much regionalization; what was needed now was to generalize trading benefits on a world-wide basis. In his view, it was a matter of interest to every country including those which were members of regional trading groups, that the basic obligation to grant most-favoured-nation treatment to all should continue to be the general rule for trade relations. What was especially needed was to balance the advantages of regionalism and globalization.

The developing countries had taken the initiative of freeing trade among themselves, and, broadly speaking, Canada was prepared to support the agreement. He was sure that the countries concerned would take account of the particular views expressed by contracting parties as to the conditions under which the agreement was accepted. It was essential that the trading framework should be flexible enough to deal imaginatively with the special trading problems facing developing countries.

Canada welcomed the enlargement of EEC as a major contribution to the economic and political strength of Europe and of the world as a whole. It was clear that that regrouping would bring about dramatic changes in the terms of access to markets for both industrial and agricultural products. He urged the countries concerned to take into account the interests of outside countries. Some suggestions which Canada had made to the EEC had already been favourably received.

His Government considered that arrangements should be made at that session for preparations which would ensure that the necessary consultations and negotiations could be undertaken as soon as the agreements were submitted to the CONTRACTING PARTIES.

With regard to agricultural trade, it had already been accepted during the Kennedy Round that domestic production policies should be brought within the ambit of international consideration. It was of course true that agriculture must be treated not merely as an economic matter but as a sector having important social and regional implications; nevertheless, it was inconceivable that governments should develop production and trading policies for that sector without regard for comparative advantage, efficiency of production and relative costs. Canada associated itself fully with the proposal by Australia for a full-scale examination of the question with a view to finding mutually acceptable solutions.

It was clear that new, forward-looking initiatives were required for the liberalization of international trade. Accordingly, his Government fully supported the Swedish proposal for the establishment of a senior trade policy group. It also supported the Director-General's proposal that the CONTRACTING PARTIES should make a declaration of intent, reaffirming their will to improve their trade relations and their faith in the principles of the General Agreement. There could be no standstill in international trade. Canada was prepared to enter into discussions with any country with a view to finding sound solutions for current problems.

Mr. PETRESCOU (Romania) said that his delegation, too, considered that the present crisis was the most serious threat to the trading nations since the end of the war. The task now facing GATT was one of the most important it had had since it began: the establishment of the necessary conditions that would make it possible to overcome current difficulties and enable international commercial relations to develop on a free, sound and non-discriminatory basis.

The fact that Romania had acceded to the GATT demonstrated its confidence in the organization; it hoped that the pragmatic attitude of the CONTRACTING PARTIES would enable them to find by degrees mutually advantageous solutions that would promote trade, progress and prosperity. His country was ready to participate in that work. Romania's accession was in accord with the principles of its policy, which was to obtain a larger share in the international division of labour and to increase its trade with all the countries of the world without exception. That policy was also an economic necessity in terms of Romania's development, which could be promoted only by international co-operation.

The national income of Romania, its export structure and the proportion of its population employed in agriculture and industry made it a developing country. In the policy which it had followed for twenty-five years, the main emphasis was placed on its own efforts, and on that basis there had been important economic achievements. That policy would be continued. Under the 1971-1975 five-year plan, 30-32 per cent of the national income would be credited to the accumulation fund. But Romania also considered that, in the achievement of its economic aims, international co-operation and the measures taken by the international community to provide support for the developing countries had an important part to play. So far, no country, except Australia, had given Romania that support.

There was concern in Romania on the subject of access to the markets of the developed countries. In addition to quantitative restrictions of a discriminatory nature - for the removal of which the necessary conditions should be created by the protocol for Romania's accession to GATT - its trade had to face less favourable treatment than other countries at the same or at a higher economic level, despite the safeguard clauses it had accepted. A further source of concern was provided by certain trends in European trade, for they might lead to a situation where Romanian exports would be treated on the same commercial basis as the exports from highly-developed countries - another instance of the consequences that could be entailed by a failure to allow for the level of development when taking trade measures. In his view, therefore, the new GATT negotiations should take that point into account; steps taken in the future to liberalize trade should be adapted to the differing levels of economic development. An adaptation of that kind could play an important part in the development of international trade and in the solution of current problems.

It was from that angle that his delegation approached the trade negotiations among the developing countries, and Romania was considering the possibility of participating in them. In its view, the desire of the developing countries to put into effect without delay the results that had been achieved was very natural.

From the same point of view, his delegation thought that a study of the conditions governing international trade might be useful, especially just before new trade negotiations between the GATT countries. The study should also take into account the level of economic development of the various countries; preferential or special arrangements between developed countries should not be regarded in the same way as arrangements among developing countries.

His delegation considered that respect for the GATT rules was an essential condition of progress towards a multilateral trade system; but the proposed measures should not detract from the new ideas about economic support for the developing countries. The preferential treatment given to them was not a deviation from the most-favoured-nation clause; on the contrary, it was a proper application of that clause. Formal equality between partners who were at different economic levels was in fact inequality, and the grant of preferential conditions to the least economically developed countries re-established equality.

His delegation urged those developed countries which were not yet applying their system of preferences to put it into operation.

In the hope that GATT would continue its efforts to achieve freedom of world trade on an equitable basis and take the necessary steps as a matter of urgency, his delegation supported the Australian and Swedish proposals and also the Director-General's proposal. It was ready to play its part in the work undertaken with a view to overcoming present difficulties.

Mr. HIJZEN (European Communities) said that at the twenty-fifth session the CONTRACTING PARTIES had emphasized the need for a political will in order to consolidate what had already been achieved and to make further progress in the various areas covered by the General Agreement. Although trade expansion had been remarkable, the Community considered it must point out that everything that had been achieved, and in particular the progress made during the Kennedy Round, seemed to be called in question. Not all governments had succeeded in keeping protectionist trends in check. In the present situation it would be absurd, and contrary to the interests of everyone, to launch into a trial of strength for the benefit of some immediate and narrow national interest. It was necessary to find new and balanced bases for co-operation. He was convinced that the fundamental problem - that of reconstructing an economic and monetary order based on the monetary and trade institutions (IMF and GATT) - could be solved, but only provided that the dangers of deterioration and escalation now present in the trade field were warded off.

The first of those dangers was the United States surcharge. The Community was afraid that, despite the very explicit official stands taken in that regard, the United States in fact intended to make elimination of the surcharge conditional upon unilateral concessions by its trading partners. The Community could not agree to the surcharge being used, whether directly or indirectly, as a bargaining weapon. It was a measure that was not consistent with the GATT rules and it was moreover inappropriate. The United States balance-of-payments difficulties were genuine and it would be unrealistic to underestimate their extent; but they were to be accounted for by other than commercial factors. The balance-of-payments problem besetting the United States was considerable, and because it had to be solved if the proper operation of the international monetary and trading system was to be restored, United States requirements from its partners, in the field of trade policy as such, would inevitably delay any settlement in the monetary field and worsen the climate at present prevailing in international trade, and might well drag the contracting parties as a whole into an economic slow-down from which the developing countries would be the first to suffer.

Trade liberalization should be pursued on a reciprocal and mutually advantageous basis. Unilateral demands could not serve as a pretext for maintaining a measure that was in breach of the GATT rules and was increasingly threatening to disrupt trade by a chain reaction, signs of which had already become manifest.

The anxiety aroused by the surcharge was considerably aggravated by the threat of the imminent introduction by the United States on the one hand, of a tax credit discriminating against imported capital goods and, on the other hand, of relief in respect of direct taxes on exports. The Community wished to state that if those measures, which were clearly inconsistent with the provisions of the General Agreement, were to be promulgated, it would invoke all the provisions and procedures afforded by the General Agreement in order to safeguard its interests. In any case, those interests were already prejudiced by the simple fact that the discriminatory tax credit now before the United States Congress would have retroactive effect. Once more, the Community urged the United States Government not to continue along that course.

With regard to the work to be undertaken by GATT, he observed that the conclusions adopted at the twenty-sixth session directed the Council of Representatives to establish a report on possible techniques, including the sector approach, for the twenty-seventh session. In the twenty-one months which had elapsed since the last session, no delegation had presented any concrete ideas in respect of such techniques or even requested that the item be placed on the agenda.

In noting that fact the Community did not in any way draw the conclusion that such lack of action could be interpreted as negligence or indifference on the part of anyone. On the contrary, the Community interpreted it as a growing realistic awareness, in the light of the work at present going on, of the fact that useful discussion on negotiating techniques could take place only within an appropriate context, in other words with a sufficiently well-defined and precise objective in view that would make it possible to work in concrete terms. The Community, for its part, remained anxious to contribute to the creation of a context that could generate action. It was aware of its responsibilities in that respect and intended to carry them out fully when the time came.

In the meantime, the Community could not share the scepticism expressed by certain countries with regard to the evolution of current preparatory work. It remained convinced that all that was being done and pursued within the framework of the programme of work agreed to at the twenty-fifth session was important and necessary. Even the difficulties and the obstacles which had been encountered in implementing the programme were helpful, since they made it necessary to reflect whether there was not some better way or some more efficacious approach to the problem when pursuing the work within the existing terms of reference.

In that connexion various proposals had been put forward, in particular by Sweden and Australia, that new bodies should be established and made responsible for new tasks.

The Community's view was that there was no need to add yet again to the number of Committees already existing in order to carry out the kind of work envisaged in those various proposals.

The Community was convinced that the existing Committees were fully capable, taking into account the preparatory work they had already done, of examining themselves the various techniques and methods whereby, when the time came, the necessary impetus would be provided for new multilateral general action within the GATT in the direction of an increased liberalization of international trade.

Accordingly, the Community wished to submit the following proposals:

1. In the case of agriculture, the Agriculture Committee, in addition to assembling the necessary supplementary documentation and continuing the search for solutions in the field of non-tariff measures mentioned by the Community the previous week, could investigate the advantages and shortcomings inherent in each of the various approaches already indicated, namely:

- specific measures such as customs duties, other import measures, export aids and certain concrete measures pertaining to national price and production policies;
- instrumental measures, such as self-sufficiency ratios, support margins or international stabilization arrangements;
- possible "good conduct codes" to govern the application of non-tariff measures or of production policies;
- a combination of those three techniques according the sectors or products concerned;
- etc.

2. In the field of industrial non-tariff barriers, the Committee on Trade in Industrial Products should explore the possibility of putting agreements on types of non-tariff barriers into operation in one or several balancing packages.

3. In the field of tariffs, the preliminary report of the Working Party on the Tariff Study gave an excellent description of the situation; it should be kept up to date and extended to other countries. Starting from that description and from the analyses currently under way at the level of the various product categories, the Working Party should make use of the lessons gained from such work to orientate the future action of the CONTRACTING PARTIES in that field.

The Community considered it more realistic to adopt such an approach than to undertake, without the necessary policy guidance, studies of possible techniques for tariff reduction, which would only get bogged down in the confusion of theoretical hypotheses of the most varied kinds.

The Community could share the Director-General's view that a positive statement on trade policy on the part of the CONTRACTING PARTIES would contribute towards restoring confidence in business circles and to reassuring governments as to their mutual intentions. The Community was prepared to participate in the formulation of such a statement.

In the Community's view, the Committees, in carrying out their tasks, should devote special and continuing attention to the expansion of the trade of developing countries.

Next, he wished to explain the Community's stand with regard to the United States delegation's proposals.

The Community was of the opinion that the GATT Council could be instructed to establish a calendar setting dates on which the parties to regional agreements leading to the formation of free-trade areas or customs unions would be requested to furnish information to it on the progressive implementation of those agreements. Such communications, which in any case were in the ordinary course of events, would be submitted to the CONTRACTING PARTIES every two years.

The second United States proposal referred to the enlargement of the European Economic Community. That enlargement indeed represented a major event in the context of international relations.

In the event of any difficulties or problems, the Community would do its best to take them into account, as it had done hitherto. But, while it understood the interest of the CONTRACTING PARTIES in those negotiations, it felt bound to point out that they had not yet been completed. The modalities for the progressive alignment of the customs tariffs and other measures of the applicant countries with the Community's external customs and other regulations had not yet been fixed. The Community wished to state that it was aware of the obligations incumbent on it in pursuance of the rules established by the General Agreement for the formation of customs unions. It considered that the appropriate body to take the necessary action when the time came was the GATT Council. It also took the view that the GATT would have an important rôle to play on the occasion of the enlargement. The Community intended to participate in whatever action was undertaken in a most co-operative spirit and was convinced that the exercise would afford to the GATT an opportunity to reaffirm its rôle as an instrument for co-operation and progress in international trading relations.

Turning to the third United States proposal, for an evaluation, on the basis of the proposed statistical study, of the extent to which the most-favoured-nation clause had been eroded in relation to the increasing number of regional agreements

and preferential systems of various kinds, he said that the Community did not consider that the proposed statistical study was a suitable approach, and he recalled the statement made by the Community at the meeting held on 23 November. But the Community had no objection to the preparation of a statistical table showing trade flows at most-favoured-nation rates and at rates subject to a special régime. The secretariat could be instructed to prepare such a statistical statement under the guidance of a working party and on the basis of directives and guidelines which that working party would endeavour to determine and define from the point of view of the quantified data to be sought, the statistical methods to be used, and the years selected for the processing and presentation of such data.

In conclusion, he wished to make a few remarks about the exchange of preferences among developing countries. He confirmed that the Community was in favour of the implementation of the preferences which had been negotiated and that it would support the draft decision, if the countries concerned insisted that a decision be taken at that session. It would, however, accompany that positive response by an explanation regarding what it considered to be the nature of the preferences covered by the decision and regarding its rights in relation to the eligibility under the scheme of each of the less-developed countries concerned in the dynamic perspective of their economic development.

Mrs. ZAEFFERER DE GOYENECHÉ (Argentina) stated that the present session of the CONTRACTING PARTIES was taking place at a time of crisis, undoubtedly related to the breakdown in the international monetary system. This breakdown had given rise to protectionist tendencies which were seriously threatening the liberalization of world trade for which the GATT had been working over a number of years. It was the duty of the CONTRACTING PARTIES in this situation to analyze what had been done and what had to be done. The reports of the various Committees showed that substantial progress had been made in the field of clarification of problems, but not enough progress had been achieved in working out mutually acceptable solutions to the problems of international trade.

With reference to the trade negotiations among developing countries, she stressed that the results as laid down in the Protocol drawn up represented only a modest achievement, made possible after years of effort. Its importance, however, lay in the demonstration of the political will by developing countries to help themselves.

She called on the United States and Denmark to remove their surcharges on imports and also expressed concern that measures taken by the EEC as a result of aligning the policies of new members might have adverse effects on the agricultural exports of developing countries.

Protectionist tendencies were leading to a deterioration of the commercial situation of developing countries, in particular the least developed among them. They constituted a violation of commitments under Part IV, especially of the principle of the maintenance of the status quo. The GATT had to ensure the fulfilment of obligations under Part IV.

With regard to the enlargement of the EEC, she noted that once enlarged the EEC would become the world's largest importer. She was confident that the enlarged Community would be conscious of its responsibility and contribute to the dynamism of international trade. She stressed that preferential arrangements had proliferated in world trade and more would be created in the future, and the GATT had to approach the issue in a new manner. Paragraph 4 of Article XXIV recognized that there was a basic opposition between trade creation and trade diversion in such arrangements. She considered that the proposal of the United States to establish a working party to examine the effects on trade of preferential arrangements as against trade under most-favoured-nation conditions deserved serious reflexion. She felt that it could contribute to clarifying the present picture of international trade when considering future solutions. Such evaluation should take into account the fundamental rôle of international trade as an instrument for the promotion of economic growth of developing countries.

She appealed to developed contracting parties which had not yet implemented their offers under the Generalized System of Preferences to do so. She recognized that the GATT was not the appropriate forum for expressing such wishes, but on the other hand GATT could not remain indifferent with regard to this matter. She appealed in particular to the United States and Denmark to implement their Scheme, so that these countries could repeal their surcharges on a priority basis for imports from developing countries.

With reference to the agriculture sector, she expressed concern about the lack of progress made. What was lacking was the political will to find solutions to the problems which had already been well-defined in various studies. She considered the proposal of Australia to set up a group of independent experts as likely to lead to progress in this sector. With respect to the work of the Committee on Trade in Industrial Products she expressed agreement with the continuation of the work and the incorporation of additional subjects.

She said that GATT should continue its efforts to facilitate the expansion of trade of developing countries by dismantling existing obstacles to it. In this regard, she recommended that the Group of Three should continue its work and broaden its scope. She also felt that the negotiations which had to take place as a result of the EEC enlargement under Article XXIV:6 should be held as soon as possible. Her delegation had noted with interest the proposal of Sweden for an Expert Group to be set up to prepare the ground for multilateral negotiations on both tariffs and non-tariff barriers in the agricultural and industrial sectors. She considered the proposals of the Australian and Swedish delegations as fully compatible.

Her delegation did not understand the reluctance of some contracting parties to support the Decision on the trade negotiations by developing countries. She considered the results as a demonstration of the intention of developing countries to base their progress on expansion of their own trade rather than on international financial aid.

In concluding, she appealed to developed countries to accept in future the application to developing countries of a generalized and non-discriminatory preferential treatment, not only in respect of tariff barriers applicable to processed and semi-processed products, but in all fields in which they were at a disadvantage.

Mr. APOSTOLIDIS (Greece) said that from the discussions at the session the conclusion could be drawn that there was a political will to continue towards liberalization. No doubt also world trade was currently in a period of crisis. His delegation welcomed the statements made by other delegations, and in particular by the Japanese delegation, expressing the intention to continue towards liberalization. All those statements were conducive to a favourable climate, but such a climate alone was not sufficient for finding solutions. Liberalization was not an end in itself and moreover could be attained only if overall economic conditions were favourable.

The approach adopted so far, that of tackling tariff barriers first, had exhausted its possibilities and the most difficult problem lay ahead - that of non-tariff barriers. In that field, the approach adopted must be not a trade approach but an economic one. That was why his delegation supported the proposals made by Sweden and Australia, while hoping that the groups to be appointed would be entitled "Economic Policy Committees". If such an economic approach could not be adopted, then it would perhaps be preferable to acknowledge that GATT was powerless, because such an acknowledgement might bring greater awareness of the magnitude of the problems besetting world trade.

GATT should not delay drawing conclusions until such time as readjustments had been made, because that approach would be detrimental to the repute of the organization.

Referring to the trade of developing countries, Mr. Apostolidis noted the disappointment felt by those countries and emphasized the importance of Part IV of the General Agreement which, in his view, specifically recognized the principle of relative reciprocity within the context of the General Agreement. It was based on the notion that international relations could not always be governed by the principle of equality where application of that principle would carry injustice and furthermore would not be conducive to liberalization.

In the course of the session, mention had been made of a new GATT comprising the developing countries alone; such a mini-GATT must not be dissociated from the General Agreement. The effort undertaken by the developing countries, which had resulted in a Protocol being presented to the CONTRACTING PARTIES, must be considered as an integral part of the General Agreement. For that reason, it would be of great importance for the CONTRACTING PARTIES to make a favourable decision regarding trade liberalization among developing countries.

Mr. LECHUGA HEVIA (Cuba) stated that the CONTRACTING PARTIES were meeting at a time when international trade based on the General Agreement had come to a cross-roads, with various choices open. There was need to decide on a path which was in the interest of all. The crises in large capitalist countries which had profound influence on the economies of weaker countries were leading towards results in which the interest of developing countries had not been taken into account. There was a tendency by developed countries to change the rules which had served international trade for the last quarter of a century and substitute those which would serve their own special interests.

Progress made by developing countries was only theoretical and did not correspond with the facts. He pointed at the transfer of inflation from developed countries to developing countries, the increase in price of manufactured goods and fall in prices of primary products, the growing deterioration of the terms of trade, the continuous decrease in the share of developing countries in world trade, the deterioration of the relative position of the per capita growth in developing countries, and the heavy subsidization of agricultural production in developed countries thus hindering further the exports of developing countries. This, in his opinion, was the real picture of the present international trade system, now aggravated by protectionist measures taken recently by the United States in violation of the General Agreement and also by the tendency to create preferential arrangements in violation of the most-favoured-nation clause. This in practice made the principles of GATT in particular the elimination of discrimination in international trade, non-applicable, which was prejudicial to the interest of developing countries.

It had been pointed out that in the last fifteen years more than twenty preferential agreements had been submitted to the CONTRACTING PARTIES under Article XXIV. On the other hand, the Generalized System of Preferences had been born in a time of crisis. Not only had some countries exempted some developing countries from the offers, but others had even failed to implement their systems altogether. This, as well as the imposition of surcharges, illustrated the indifference with which certain countries treated the aspirations of developing countries.

Some developing countries like his own were not only faced with tariff and non-tariff barriers to their trade, but were the subject of aggressive economic measures. An example of this was the fact that the United States Government had placed an embargo on nickel exports from his country as well as a boycott of all imports incorporating Cuban nickel. Moreover, the United States had tried to prevent, on a world-wide scale, any attempt by his country to charter ships necessary for its exports and imports.

He stressed that if the international trading community was to make progress it should take into consideration the interests of the least developed countries among them, and not only those of the privileged ones. He also pointed out that the tendency to try to solve present problems in small groups without consulting the interest of developing countries was also apparent in the present monetary crisis, which was an aspect of the present maladjustment of the international trading system. He urged that in the discussions aimed at solving the monetary problems all countries should be represented.

With regard to the impact of the enlargement of the EEC on international trade, he pointed out that, unless the interests of those developing countries producing sugar which had previously had access to the United Kingdom market were taken into account, and unless the heavily subsidized beet sugar production in the Communities was removed, the enlargement was bound to have a damaging effect on the international sugar market and on the International Sugar Agreement which had been operating efficiently and had been contributing to the income of developing countries.

He expressed appreciation for the work done by the Group of Three which had led to a better clarification of barriers to the exports of developing countries and hoped that it would continue its work with an expanded mandate. He also expressed interest in the Swedish proposal for the creation of an Expert Group on trade policy. He concluded his intervention by pointing out, as another proof of real hostility against developing countries, the objections which some countries had been trying to raise against the trade negotiations carried out by some developing countries. These negotiations not only had received the encouragement of the CONTRACTING PARTIES but were also in line with the spirit of Part IV of the General Agreement.

Mr. LENNON (Ireland) said that his delegation had followed with great interest the course of the discussion during the present session of the CONTRACTING PARTIES, and was prepared, in co-operation with other contracting parties, to play its part in arriving at solutions to the difficulties facing the GATT and in advancing the aims of the organization. As regards the specific issues being discussed, his delegation favoured solutions along the lines suggested by the delegations of the United Kingdom and the European Communities.

Mr. VALENZUELA (Chile) stated that the discussions on trends in international trade had highlighted one of the positive characteristics of the GATT, i.e. the ability to maintain a dialogue between the various economic and trade sectors of the world, and the willingness to attempt through private and group meetings to arrive at agreements and find pragmatic solutions to problems. This explained the continuous growth in GATT membership in recent years by the accession of both market economy and centrally-planned economy developing countries. He stressed that this co-existence of countries of differing doctrines and trade policies reinforced the necessity to maintain and enforce the principles of the General Agreement.

He stressed that when considering the problems of international trade, account should be taken of related monetary and financial problems and pointed at the way in which activities in various other international organizations and fora were in one way or the other influencing the action programme of the GATT.

He pointed out that a deterioration or prolongation of the problems of the industrial countries might lead to a world-wide economic depression and stressed that the interdependence of the negative effects of a depression would be much stronger than the interdependence of the positive effects of prosperity. He stated that according to some experts the current uncertainty in international trade was the result of the need to transfer from one industrial sector to another a minimum of US\$8 billion and a maximum of US\$13 billion worth of trade. According to these experts, such a process of transfer should be effected within a framework of economic expansion so as to avoid the risk of generalized inflation as well as economic and commercial depression already apparent.

He stated that the struggle to expand and gain new markets had been accentuated by the measures taken on 15 August. Referring to his own country he pointed out that the last ten days had witnessed a significant reduction in her monetary reserves, a rise in the price of her imports and a fall in the value of her principal exports. He stressed that in view of the interdependence of nations in the economic world, the interest of developing countries should not be considered as secondary to other considerations but must occupy a central place in the present attempts to find solutions to the problems of international trade. He thought that one viable means of promoting the transfer of trade within a framework of economic expansion would be to make a concentrated and imaginative effort to promote the economic development of developing countries. He appealed for more permanent solutions to the present problems instead of the attempt to revalue one currency or the other, float some currencies or resort to protectionist measures.

He congratulated the Director-General for elaborating a short and long-term programme of action. He asked for the approval of the results of the trade negotiations among developing countries which, he considered as a modest initiative by them to help themselves by seeking solutions to their problems and exploring new formulae for expanding their mutual trade.

He declared the support of his delegation for the report of the Group of Three and urged that the Group should continue with its work and examine the new problems which might crop up in the coming months in the field of trade. He expressed the anxiety of his delegation with regard to the failure of many industrialized countries to implement their schemes under the Generalized System of Preferences and appealed to the countries concerned to take the necessary constitutional measures to have them implemented by the beginning of next year. He also appealed to developed countries to accept as an international obligation the exemption of developing countries from their protectionist measures.

With regard to the various proposals made for the setting up of working parties to prepare the ground for a future series of trade negotiations, he felt that such a new round of negotiations would be a positive step and that it should embrace developed market-economy countries, centrally-planned economy countries

as well as developing countries. He believed that the terms of reference of the Working Party should include special consideration of the modalities and techniques for negotiations with regard to the developing countries, in line with the spirit of Part IV and with reference to the experience of developing countries in international trade since the Kennedy Round.

Mr. EBERLE (United States) considered it important always to bear in mind the difference in perception in the outlook of various countries, a difference which had to be recognized and understood if the GATT was to be an effective instrument. His Government shared the concerns of other countries regarding the uncertainty existing in the trade and monetary world. At the same time, he believed that the situation presented a real challenge to take the steps necessary to improve these systems. He remarked that a great deal had been said about his country's surcharge. He would ask delegations to address themselves to the basic problems which had created the need for these special measures, measures which were temporary in character. Since the introduction of these measures, the United States had participated in numerous discussions aimed at solving the underlying problems. Moreover, having regard to the close relationship between trade and monetary policy, his country would also endeavour to promote trade discussions at the Group of Ten Ministerial Meeting to be held within the next few days. It was essential to take bold steps in order to deal with the basic issues which, in his view, resulted from a failure in the world trade and monetary systems. Flexibilities in these systems were required to create the atmosphere and long-term stability necessary to maximize world trade in the interests of all countries.

He stressed that his Government had been trying continuously to initiate negotiations and was prepared to move forward promptly. The first phase would entail not only changes in trading systems but also a monetary realignment. In this connexion he emphasized that, contrary to suggestions that the United States was using the surcharge as a bargaining lever, his Government only asked for reciprocity. He noted that the United States was no longer a creditor, and he asked other countries to show the same kind of understanding as the United States had shown to them in the past. While he considered that negotiations at bilateral level could be useful sometimes, his country's fundamental approach was to proceed primarily through the multilateral framework of GATT.

He stressed his country's serious concern about the special problems of the developing countries and pointed out that the progress of these countries was a matter of special interest to the United States President. His authorities firmly intended to introduce the Generalized System of Preferences although, because of domestic political problems, it had not yet been possible to pass the necessary legislation through Congress. He pointed out that his country already provided the largest market in the world for the exports of developing countries and would continue to do its share to foster the development of these countries.

His delegation welcomed and agreed very much with the comments of the Director-General. He pointed out that the recommendations in the recent report of the Williams Commission, which urged immediate initiation of broad-based negotiations as a joint initiative of the major trading countries, were receiving favourable consideration at the highest level of his Government. His authorities wished to start discussions in 1972 with the aim of solving as many problems as possible. He recalled that many other delegations also considered it necessary to make rapid progress especially in agriculture. He urged that negotiations on the most important irritants should be started promptly in 1972. These negotiations should be broad and include agriculture, non-tariff barriers and tariffs. He hoped that after the enlargement of the EEC a general negotiation could be initiated.

He was pleased to note that the European Communities were prepared to present to the GATT for examination the treaties enlarging the European Communities as soon as they were signed. He recalled his delegation's proposal for a study of recent trends in trade flows at most-favoured-nation and non-most-favoured-nation rates. He reiterated his country's belief in Article I of the General Agreement, while recognizing the need for certain exceptions to that Article. It was important to understand what the trend was and which way the CONTRACTING PARTIES were going.

As regards the preferences among developing countries, he stated with regret that his delegation had been unable to satisfy itself that the arrangement was satisfactory in all respects and that it understood all of the terms of the proposed decision. This matter involved certain new principles and some practical trade problems. Although his delegation could not support the proposed waiver, it hoped that action could be taken on the matter at the present session having regard to the overall consensus which appeared to exist.

As to future work, his country favoured a study that would point out procedures and alternative mechanisms to be employed in negotiations on the various categories of non-tariff barriers in conjunction with tariffs and agriculture. His delegation supported the Australian and Swedish proposals as preparation for the time when the necessary political will had been created. Future negotiations would be greatly facilitated by a study along the lines of these proposals. It was important to start these preparations now.

The long-term objective of his country was to develop a viable trade system on a multilateral basis, and a monetary system to service that trade system, both systems working together in the interests of all countries. His country was committed to ensuring that GATT was a business-like organization and a decision-making one. He believed that the GATT would play an effective and important rôle. Finally, he reiterated that if countries were to come closer together, and make the necessary decisions and progress, attention must be paid and understanding shown for each other's position.

Mr. KIRCA (Turkey) said that the trade liberalization process undertaken within the GATT was facing a crisis that was a challenge to international co-operation; in the view of his Government, the CONTRACTING PARTIES should take up that challenge. Since the twenty-sixth session, little progress had been made with respect to the trade of developing countries and the terms of trade of those countries had deteriorated by 1 to 2 per cent in 1970. In addition, unilateral measures that were of capital importance for the international community had been introduced. The 10 per cent import surcharge imposed by the United States on a wide range of products was a backward step in the perspective of establishing sound trade relations in general and of improving the trade position of the developing countries in particular. His delegation urged the United States to grant exemption from the surcharge on products from developing countries. It hoped furthermore that the surcharge introduced by the Danish Government did not constitute an element in the escalation of protectionist measures and appreciated the fact that the Danish administration was empowered to exempt from the surcharge any imports of products to which the Generalized System of Preferences would be applicable. The Turkish delegation hoped very much that the exemption would apply as a matter of principle and without discrimination to all developing countries.

The present situation should lead the CONTRACTING PARTIES, and in particular those having greater responsibility in the crisis, to establish the bases for a balanced negotiation with a view to seeking mutually acceptable solutions, in a coherent overall framework. In conformity with the various international commitments, the interest of developing countries should be taken into consideration.

While concurring in the fears expressed by the Director-General, the Turkish delegation believed that the bases had emerged in 1971 for a more equitable new order corresponding better to present needs. The Generalized System of Preferences had been brought into operation by some countries, and the results of the trade negotiations among developing countries were being examined at the current session. These two events, which gave a new dimension to the most-favoured-nation clause, should be placed in the long-term perspective of world trade relations. The model that was taking shape should preclude any possibility of discrimination and serve as an instrument for harmonious expansion of trade relations between developed and developing countries on the one hand, and among the developing countries themselves on the other hand. The developing countries had taken the necessary action to exclude the possibility of any discrimination. In that connexion, the Turkish Government hoped that all developing countries would accede to the Protocol in the very near future. The Generalized System of Preferences could serve as an instrument for establishing an equitable and non-discriminatory order among developing and developed countries only if it was applied to all the developing countries without distinction. The concept of development was a dynamic one, but there were well-established social and economic criteria for determining to which category a country belonged.

The Turkish delegation considered that the work being done within GATT toward trade liberalization was very useful and should continue. Without needing to have recourse to spectacular decisions, the CONTRACTING PARTIES would be able to arrive at conclusions that would permit further progress in that direction and toward the economic promotion of developing countries.

Mr. BRUM (Uruguay) referred to the crisis of the principle of the most-favoured-nation treatment and to the suggestion that the scope of the principle had been reduced to such an extent that it was applicable only to the trade of a minority of countries. He did not consider this as a problem but merely as the development of an institution which had been foreseen in the General Agreement. He hoped that the GATT would not retrace its steps merely to save the prestige of the most-favoured-nation clause. Economic integration was a feature of the present-day world, it was irreversible, and was a process which could only take place on the basis of exclusive concessions. This should, however, not exclude the application of the most-favoured-nation principle between integrated groups and countries which did not belong to them.

With regard to the temporary import surcharge imposed by the United States to protect the balance-of-payments position, he hoped it would be removed as early as possible before it could cause serious damage to the world economy. He pointed out that the present situation had shown that the economy of countries adopting the mixed enterprise system was more solid than before and that economic disturbances taking place in one country, however important, could not necessarily change the general balance of the whole. In an organization of equals, privileges were out of place and he expressed the hope that the situation where a contracting party took actions contrary to the provisions of the General Agreement and avoided taking the necessary procedures laid down by it, would not be repeated.

With regard to the problems facing the exports of developing countries into industrialized countries, especially in the agricultural sector, he stated that the problems should be faced realistically and with common sense. He appealed to developed countries to gradually limit the cultivation of unproductive crops which relied on heavy subsidization and in this regard commended the recent measures taken by the Federal Republic of Germany to change her method of agricultural subsidies by way of rationalizing agricultural production. He admitted that this needed careful planning so as to avoid creating unemployment and other social problems, but he stated that the time had come for action to be taken along this line.

Item 3. Adjustment of salary of the Director-General

The CONTRACTING PARTIES, meeting at the level of Heads of Delegations, considered a proposal by the Chairman of the CONTRACTING PARTIES to establish the salary of the Director-General at US\$56,000 per annum before staff assessment, US\$34,600 net after staff assessment and that the post adjustment rate of the Director-General should be US\$1,380. The proposal was approved, effective from 1 July 1971.

The meeting adjourned at 6.30 p.m.