

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Thirtieth Session

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SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 20 November 1974 at 10 a.m.

Chairman: Mr. H. KITAHARA (Japan)

Subject discussed: Activities of GATT

Mr. YUNUS (Pakistan) said that the period since the last session had shown a record both in trade expansion and in inflation. As regards developing countries there had been concrete increases in exports, but in spite of a boom in commodity prices the share of developing countries in world trade had continued to decline. The trade deficit of non-oil exporting developing countries amounted to as much as \$10 billion in 1973. This indicated the urgent need for restructuring world trade and for the establishment of a new international economic order. The CONTRACTING PARTIES should not fail to take account of the Programme of Action adopted by the sixth special session of the General Assembly.

The confusion resulting from the energy crisis was aggravated by the effects of governmental agricultural policies which had contributed to the inflation of food prices and had now produced a crisis in human conditions. He hoped that the decisions of the World Food Conference would enable the afflicted countries to overcome this crisis and would help them in developing their agriculture to avoid future shocks. He said that a new order had to be introduced in international trade, particularly in farm commodities, and especially in cereals. These decisions would therefore, no doubt, have an impact on the multilateral trade negotiations. He welcomed the news that substantive negotiations might commence in early 1975. Should however the negotiations be further delayed, he felt that a way should be found to resolve at least some of the long-standing problems faced by developing countries.

Referring to the report of the Committee on Trade and Development (L/4110), he stated that greater and meaningful efforts had to be undertaken to implement and strengthen Part IV of the General Agreement. He noted that despite Part IV, in particular the provisions of Article XXXVII, developing countries had not been exempted

from the restrictive actions taken recently by developed countries. He wondered whether it was not time to re-write Part IV with a view to identifying binding provisions. He fully supported the Chairman's suggestion that the CONTRACTING PARTIES should reaffirm that they would not resort to the imposition of trade restrictions for resolving balance-of-payments problems, and stressed that trade restrictions should not be used against developing countries.

Referring to the Arrangement Regarding International Trade in Textiles, he said that his country had been among the first to ratify it because it contained a number of useful provisions, including the establishment of a Textiles Surveillance Body. He believed that the Body, of which Pakistan was a member for the current year, had made a good start and hoped that useful machinery of this kind would be established also in other appropriate areas. Recalling the basic objectives of the new Arrangement, he expressed concern that there were indications that instead of moving towards a progressive liberalization, some importing countries were moving to introduce new restrictions on certain textile products of developing countries. He hoped that this apprehension was unfounded.

He felt that in past discussions and consultations the interests of developing countries had been often ignored and supported the Chairman's suggestion that the problems and difficulties in the trade field should continue to be resolved through consultations within the GATT machinery and that in so doing the needs and interests of developing countries should be fully taken into account.

In making this plea for developing countries he was not unmindful of the difficulties of developed countries. The world was passing through an economic crisis unprecedented in time of peace. More than ever before, developed and developing countries should understand each other's difficulties, accommodate each other's needs and work together to bring into existence a new international economic order. He believed that GATT provided one of the central venues for this historic task.

Mr. PETRESCOU (Romania) said that in 1974 the need to establish a new international economic order had been universally recognized. Whether such new order applied to primary commodities, energy, population, food, commercial or monetary policies, it should aim at correcting economic and political anomalies existing in the international field, and in particular those related to inequalities between nations and their levels of economic development. This should permit all countries to participate fully in the international division of labour.

At present, however, there was a disquieting evolution in the commercial policies of a number of developed contracting parties which had resorted to protectionist measures and imposed import restrictions and embargoes such as those being applied to bovine meat. These actions did not conform to the basic principles of GATT and deeply affected the economies of all countries, in particular developing countries. Such restrictions did not bring a real solution to the problems but delayed the introduction of structural adjustments and reinforced inflationary pressures in those countries. They would furthermore adversely affect the export industries of those countries because of a reduction in the demand for their exports. The termination of the embargo on bovine meat imposed by the EEC and of other measures such as the import deposit scheme applied by Italy was required under the General Agreement. Only after the abolition of such restrictions could real negotiations be initiated for long-term solutions that provided certainty and efficiency in international trade and ensured that the balance-of-payments difficulties of developed countries were not resolved in a manner prejudicial to the interests of developing countries.

Romania's commercial policy was based on its GATT obligations. Despite the difficulties encountered by the world economy, the value in US dollars of Romanian imports had increased in 1973 by 32 per cent over the 1972 figures. Imports originating from contracting parties had increased even more. Unfortunately, however, this had not been accompanied by a diversification in Romanian exports and the trade deficit had increased, reaching US\$180 million, mainly in relation to developed market economy countries. He regretted that those countries which were still applying quantitative restrictions inconsistently with Article XIII of the General Agreement had not made more substantial efforts for the progressive elimination of such restrictions. Romania expected that all those restrictions would be eliminated by the end of 1974 in accordance with the established objective. He paid tribute to the Government of Austria which had decided to eliminate on 1 January 1975 all discriminatory restrictions against Romania, thereby demonstrating the importance to be attached to international obligations.

Romania also expected the elimination of discrimination in the application of the Generalized System of Preferences.

Referring to the implementation of the Arrangement Regarding International Trade in Textiles he expressed disappointment that the prospects for Romania's exports of textiles had not come up to expectations. He expressed Romania's support for the Chairman's appeal that countries should not impose import restrictions to meet their current problems and that difficulties affecting international trade should be solved through consultations.

It seemed to him undeniable that the world economy and international trade were in serious difficulties. The multilateral trade negotiations, therefore, and more generally the conduct of governments in their trade relations should aim at a democratic renewal of international trade, assuring the elimination of obstacles to free and non-discriminatory exchange of goods and the granting of preferential treatment for developing countries. This would facilitate the expansion and diversification of the exports of these countries and the income growth needed for their economic progress.

He considered it desirable for all contracting parties to reaffirm not only their active support for the commencement of effective negotiations but also their will to complete the negotiations as foreseen in the Tokyo Declaration by the end of 1975. The negotiations should be carried out in such a way as to take account of the position of all of the participating countries. This principle of equality among countries should be respected if new mechanisms were to be instituted in GATT. In this respect contracting parties having a similar level of development should be treated equally.

He concluded by saying that Romania, as a developing country, attached great importance to the expansion of trade among developing countries and would make use of all means to increase such trade, including those provided by the Protocol Relating to Trade Negotiations Among Developing Countries.

Mr. GLITMAN (United States) said that this thirtieth session was taking place against the background of the most serious economic difficulties the world had confronted since the establishment of the post-war economic structure. In spite of these difficulties, however, the members of the world trading community had, with only a few exceptions, resisted pressures to take restrictive measures to meet the situation. The structure had stood the test of time during periods of rapid economic change and should be preserved by facing the present challenges in a spirit of international co-operation. The United States Government had demonstrated its willingness to seek co-operative solutions in its reactions to the energy problem, the food crisis, and the financial repercussions of the increase in oil prices. It had also taken a leading rôle in urging the world trading community to forgo restrictive trade measures in the face of strong pressure to the contrary. The United States continued to believe that co-operative international approaches were preferable to unilateral policies. He added that, in present circumstances, avoiding a return to the worst of the past was not sufficient; the trading system had to be adapted to the changed circumstances. In this process, however, great care should be taken to preserve GATT's pragmatic, realistic and serious approach to problems. His delegation supported the concept of improving GATT's co-ordinating mechanisms and of strengthening and making more effective the relationship between GATT and the International Monetary Fund. He stressed the importance of the multilateral trade negotiations as a forum and a vehicle for

improving the trading system and for ensuring that the momentum and the benefits of the open trading system be maintained. The negotiations should bring about a concerted attack on non-tariff barriers, and developing countries should be assured of obtaining the maximum benefits. He concluded by assuring the CONTRACTING PARTIES that the American administration would continue to make an all-out effort in support of the early passage of the Trade Bill.

Mr. BARTON (Canada) expressed agreement with the Chairman's observation regarding the serious impact of the present difficulties and uncertainties on both developed and developing countries. The Canadian Government had devoted considerable attention to this situation and had been working actively both in the conduct of its own affairs and in the appropriate international organizations to seek solutions to these problems. His Government was aware of the danger that balance-of-payments difficulties would lead countries to resort to restrictions on trade and had strongly supported international pledges against the use of such restrictions to deal with payments problems. Canada was convinced that the GATT had a major rôle to play in the management of a variety of international economic problems, and reaffirmed its adherence to the provisions of the General Agreement. His country attached great importance to the rôle which could be played by the multilateral negotiations for the reduction of barriers to trade and the finding of solutions to current problems in a way which would permit a more efficient use of the world's resources. Canada also continued to stand behind the intent of the Tokyo Declaration in its provisions relating to developing countries. He expressed the hope that all the major participants would be in a position early in the New Year to launch the effective stage of these negotiations, in which Canada intended to play a full and active part.

He stressed the importance of avoiding recourse to import restrictions and export subsidies and informed the contracting parties that his Government had announced temporary tariff reductions on a wide range of products covering about \$1 billion of Canadian imports effective until 30 June 1976. In addition, provision had been made for substantially increased exemptions from duties and taxes for Canadian tourists bringing goods back from other countries and for duty-free entry of handicrafts produced in developing countries entitled to the benefits of the General Preferential Tariff. The Canadian Government had also reduced the tariff on refined sugar, in accordance with recommendations made by the Tariff Board. While many of these measures had been taken in order to moderate upward pressure on prices in Canada, the Government was hopeful that they would also have a positive effect on the current international economic climate.

Mr. CHADHA (India) said that during the past year the world economy had experienced unprecedented stresses and a large part of the developing world was confronted with problems of exceptional magnitude. There was therefore urgent need for concerted action within the framework of a new international economic order. The Declaration and the Programme of Action adopted at the Sixth Special Session of the United Nations General Assembly could help to rectify the inequities and weaknesses of the international economic system. It was necessary to ensure that the search for solutions to the problems faced by the world economy and the preoccupation of the developed countries with the stability of their economies and the viability of their external payments, did not lead to the adoption of policies which were harmful to the expansion and liberalization of trade. In the process of adjustment to new realities special attention would have to be paid to the interests of developing countries and developed countries should not attempt to solve the problems of inflation and balance-of-payments disequilibrium at the cost of developing countries.

The position of developing countries in world trade had further deteriorated over the past year. The temporary upsurge in the prices of some commodities exported by developing countries had been due to such factors as inflation and monetary uncertainties rather than any conscious policy, and there were already definite signs of a downward trend in prices. Furthermore, new obstacles to trade had been created in the markets of some developed countries. The developing countries, who were in no way responsible for the difficulties which led to these restrictions, had tried, in vain, to be exempted from these measures. Against these developments there was need for urgent international action, particularly in favour of developing countries. He therefore supported the initiatives to revitalize the machinery of GATT with the aim of anticipating and forestalling disturbances, but he emphasized the need for developing countries to have adequate representation in any new arrangements made for this purpose.

GATT activities throughout the year had concentrated mainly on technical preparations for the multilateral trade negotiations. This work had permitted the clarification of ideas on the precise manner in which differential and more favourable treatment for developing countries could be ensured in various areas of the negotiations. The concrete suggestions that had been made in this respect should now be accepted and implemented as a matter of urgency. His delegation had accepted assurances in the Tokyo Declaration that the problems of developing countries would receive special attention and approached this round of trade negotiations therefore with a sense of urgency and with high expectations. He believed that the initiation of the negotiations could not be delayed any further. At the same time, parallel efforts to improve the situation of developing countries would have to be made in other fora in connexion with the Generalized System of Preferences, improved access, etc. He joined with the Chairman in

calling upon the major trading nations to refrain from the imposition of import restrictions or the use of export subsidies to avoid their balance-of-payments difficulties, to seek solutions to their trade problems through consultations and dialogue and to pay special attention to the needs and interests of developing countries. In addition he suggested that developed countries should undertake to maintain a complete standstill on the imposition of new barriers to the imports of developing countries and should exempt developing countries from the application of any restrictions to which they might resort for exceptional reasons.

Mr. SAHLGREN (Finland), speaking on behalf of the four Nordic delegations, said that in the present critical circumstances the GATT had an increasing importance in maintaining orderly conditions, with balanced rights and obligations, for world trade. He believed that attempts to solve problems unilaterally would have damaging effects on the international trade structure, upon which the Nordic countries were heavily dependent. He emphasized that confidence in the possibilities of overcoming difficulties, as well as the credibility of actions by trading partners, here in GATT and elsewhere, were of significance to future developments. He therefore welcomed the appeal of the Chairman to all contracting parties to reaffirm their determination to make the utmost effort towards the solution of trade problems through consultation and dialogue. In this process, national governments, besides being bound by the rules, had a chance of benefiting from the accumulated experience and the joint efforts of the contracting parties. The Nordic countries were convinced, moreover, that in the present circumstances the multilateral trade negotiations were more pertinent than ever before, not only for further liberalization of world trade but also for the improvement of the international framework for its conduct. He stressed that special attention should be paid in the negotiations to the problems of the developing countries, and reaffirmed the readiness of the Nordic countries to enter into real negotiations. He hoped that all the partners in the new round would obtain the necessary authority so that the negotiations could soon proceed to the active stage.

Mr. TOMIC (Yugoslavia) stated that it was important, especially in the present situation of world economy, that the GATT should intensify its search for appropriate solutions in the interests of international trade. It was equally important that the concept of GATT be preserved in the many other international bodies which dealt with other matters which, however, had an effect on international trade. He said that technological progress, monetary and capital movements, demographic developments and changed attitudes towards the notion of justice and equality required a review of the international monetary and economic system

taking into account the new needs of peoples and nations. He outlined the present difficulties of the international economic situation which created uncertainties and adversely affected international trade both in respect of its orientation and in long-term investment. The slowing down of economic activity in the developed world had reduced the demand for products from developing countries, the prices of which had begun to decline. While these circumstances were difficult for all countries, they had particularly serious consequences for the developing countries.

Against the tendencies towards increased protectionism and the accompanying disregard of international obligations and procedures, the GATT offered the advantage of co-operation and strengthened international discipline. His delegation therefore supported the Chairman's appeal for concerted action to maintain effectively the basic rules of the multilateral trading system. At the same time, GATT should adapt its organization to enable it to co-operate more effectively with other international organizations, so that the interests of international trade could be presented with authority. The Director-General had drawn the attention of the contracting parties to the importance of this task on many occasions, in particular with regard to the International Monetary Fund. He expressed the hope that the contracting parties would approach this question with a sense of urgency. He stressed the importance of starting substantive trade negotiations without delay. This was important for creating confidence and stability in international commercial relations. The developing countries had entered the negotiations with the confidence that these would solve their commercial and developmental problems; today, with the international economic situation deteriorating, the need to solve these problems was even more strongly felt. A year had been lost since the Tokyo Declaration. This had benefited no one; on the contrary, the delay had increased the difficulties the world was experiencing. He supported the four points made by the Chairman in his opening statement emphasizing in particular the importance of seeking urgent solutions to facilitate exports from developing countries.

Mr. KAYA (Japan) referred to the developments in the world economy, which were without precedent both in their impact and complexity. Because of the interdependence of the international community every country was affected by these developments. Although GATT had overcome many difficulties in the past, intensified efforts would be required if GATT were to respond effectively to the present challenge. In this connexion, his delegation felt it essential that all contracting parties renew their determination to abide by the existing rules and procedures of GATT. He welcomed the pledges made by the major trading nations in the OECD and in the International Monetary Fund, and expressed full support for the Chairman's suggestion that the major trading nations should reconfirm their intention to refrain from the imposition of import restrictions or the use of

export subsidies to avoid their balance-of-payments difficulties. He said that his Government, in spite of certain difficulties, had taken some measures to encourage imports e.g. in April 1974 tariff rates had been lowered for ninety-seven products and the Generalized System of Preferences scheme of Japan had been further improved in a number of respects.

He also supported the Chairman's appeal to the contracting parties to solve their trade problems through consultation and dialogue within the framework of the GATT.

Referring to the multilateral trade negotiations, he pointed out that they were much larger in scale than the preceding six rounds of negotiations both as regards the number of participants and the range of different trade barriers to be covered. He earnestly hoped that the negotiations would result in further liberalization and expansion of world trade. He considered that these negotiations were invaluable because they were also a forum for multilateral dialogue in which the tendencies towards protectionism, regionalism, or bilateralism could be checked and a sense of international solidarity cultivated. The multilateral trade negotiations should be strongly promoted and all participating countries should be ready to enter into effective negotiations shortly with a view to their early conclusion, as provided in the Tokyo Declaration.

Mr. HAMZA (Egypt) said that in the past year changes in the prices of some commodities had brought about substantial shifts in the balance-of-payments situations and prospects of many countries. This situation was particularly serious for developing countries. The multilateral trade negotiations would provide an opportunity for a joint positive action and should contribute to alleviating and solving these problems. Trade liberalization measures would open up new investment opportunities and would increase efficiency in the use of existing resources. His delegation hoped that the multilateral trade negotiations would soon enter into a substantive phase. Referring to the work of the Committee on Trade and Development, he commended the activities of the Group of Three, which had reviewed the barriers to trade being applied by developed countries, had held consultations with these countries and maintained close contact with developing countries. The findings and recommendations of the Group of Three had been most useful and he proposed reactivating the Group with a new and somewhat broader mandate that would allow it to supervise events and, through the informal consultation machinery, contribute to the positive evolution of GATT.

Mr. VELISSAROPOULOS (Greece) expressed his agreement with the CHAIRMAN's analysis of the international economic situation and stressed the important rôle GATT was to play in these circumstances. Although there were provisions in the General Agreement that had to be revised, the Agreement as it existed provided a point of reference in this rapidly changing world and a point of departure for

reform efforts. Moreover, the CONTRACTING PARTIES had shown sufficient comprehension and flexibility to make it possible for the GATT to deal with complex questions and for governments to face up to increasing difficulties. He agreed with the Chairman's suggestions regarding the necessity to avoid resorting to restrictive measures, to have recourse to consultations and to bear in mind the long-term effects of any measures taken. He stressed the need to proceed expeditiously with the multilateral trade negotiations. An important part of the preparatory work had been completed and, if necessary, the results of this work could be adjusted without difficulty to the changed conditions in international economic relations.

As a developing country, Greece welcomed the Tokyo Declaration, in which the needs of developing countries were so clearly stated. His Government was confronted with very serious problems and hoped to benefit from the facilities provided under the General Agreement, which should be extended beyond the tariff field. His Government was also in favour of enlarging the scope of the arrangements concluded among developing countries both through the accession of other developing countries and through extending the concessions to cover non-tariff barriers.

Mr. SHIN (Korea) expressed support for the suggestions made by the Chairman in his opening statement. He stated that the instability of world trade was a matter of serious concern to his country, whose economic viability depended to a great extent not only on the export of manufactured goods but also on the import of raw materials. His Government was fully aware of the need to make maximum efforts to exploit fully the economic potentialities of his country and of developing countries in general. Such efforts would however be futile unless developed countries responded by giving special consideration to the acute needs of developing countries. High hopes were set upon the rôle which GATT could play in this connexion through the provisions of its Part IV. It might also be desirable to re-assess certain aspects of GATT operations and to consider whether its activities might be broadened by enabling it to perform specific functions such as, for example, those of surveillance and also by equipping it to address itself more quickly and effectively to unforeseen developments in world trade. This would make it possible for GATT to provide effective guidelines to contracting parties so that they could cope with problems collectively. He stated that developing countries suffered most from the disruptions in world trade. Developing countries were therefore looking forward to the multilateral trade negotiations with high expectations. He stressed that the urgent needs of developing countries should be given due attention in accordance with commitments undertaken in the Tokyo Declaration.

Mr. WILLENPART (Austria) said that during the period of technical and preparatory work for the Multilateral Trade Negotiations the international economic situation to which these negotiations had to be related had changed. He

mentioned, as an example, the extraordinary increases in commodity prices over the last five years, which had greatly affected the economy of large commodity importers. Such developments deserved particular attention and the regular and orderly supply of commodities and raw materials at economically reasonable prices should become an important subject of these negotiations. The preparatory work had now reached a point which would allow the commencement of substantive negotiations. His delegation, therefore, strongly supported the suggestion that all contracting parties participating in the trade negotiations should be ready to enter into effective negotiations shortly. This was particularly important in view of the risk of further unilateral trade and current account measures with their detrimental effects on world trade. His delegation believed that effective multilateral trade negotiations were one of the best means to counteract the danger of a possible escalation in this field.

In conclusion, he supported the Chairman's appeal that, in spite of the difficult economic, trade and monetary situation, governments maintain international discipline in the field of trade and refrain from the imposition of new import and export measures in order to avoid balance-of-payments difficulties. Countries facing trade problems should try to solve their problems in the first instance through consultation and dialogue.

Mr. AWUY (Indonesia) said that, as suggested by the Chairman, concerted action should be taken to avoid the world-wide economic and social disaster which might result from the present serious world economic situation. He agreed that all developed and developing countries must be involved in seeking solutions to this world-wide problem although the contributions by developing countries would necessarily be limited because of their weak economic capacity.

Although a number of developing countries had benefited from the short-lived commodity price boom in 1973, the favourable situation had been rapidly minimized because a great deal of the extra export earnings of these countries had been utilized for imports of food, fertilizer, industrial raw materials and other essential goods at increasing costs.

He said that in his view the international community would not have been confronted with the present critical situation if concrete measures had been taken by the affluent nations in the last two decades to assist developing countries in attaining sustained economic growth. Developing countries had pleaded consistently for greater expansion of their export trade, increased financial aid, transfer of technology and other assistance from developed countries in order to improve their economies. The recommendations made in various international institutions had not been implemented.

He said that, in the light of this situation, the task of contracting parties was to seek appropriate measures within the competence of GATT to slow down the deteriorating trend of the present world economy. Because of their dominant rôle in the world economy, the initiative should come from developed countries. In this connexion he welcomed the decision of the OECD countries regarding trade restrictive measures for balance-of-payments reasons. He also welcomed the initiative of the Director-General to establish a high-level management group which could maintain close co-operation with the IMF. He further felt that the multilateral trade negotiations could provide a major contribution to the solution of the problems at present confronting the world economy.

In conclusion he referred to the development of the Association of South East Asian Nations (ASEAN) and stated that, despite the impact of the aggravating world economic situation, the Association was moving steadily towards closer economic co-operation, which would bring about stable economic growth in the region. The Indonesian Government was exerting all efforts to implement its economic and social development plan. Food and fertilizer imports, however, continued to be a drain on Indonesia's foreign exchange reserves. The recent favourable developments in Indonesia's balance-of-payments position should therefore be viewed in the perspective of its huge import requirements to fulfil the basic necessities of the people and of increased development activities. Consequently, external development assistance would continue to be required for some time to come to complement domestic financial resources.

Mr. KAFAOGLU (Turkey) said that the trade and payments situation of many developing countries had deteriorated in recent months as a consequence of adverse developments in export prices and trade restrictions imposed by some developed countries. Because of the present uncertainty in international economic relations, it was important that effective negotiations begin at an early date. Improvement in the supply situation would alleviate inflationary pressures and expansion of trade would significantly reduce the danger of recession. One aspect of the negotiations should be to meet the needs of developing countries and to secure a larger share for them in international trade. In this connexion he expressed his delegation's appreciation for the technical assistance provided to developing countries by the secretariat.

Referring to the trade arrangements among developing countries, he stated that the conclusion of the arrangements had been an important step and would contribute significantly to the promotion of economic co-operation among developing countries. He stressed that the arrangements were open to all interested developing countries and said that he had noted with satisfaction that a number of developing countries had expressed an interest in participating in the arrangements.

Mr. SONSOLA (Zaire) said that the exports of developing countries still consisted largely of primary products, that the prices of these products were still subject to unpredictable fluctuations, and that the share in world trade of the developing countries had remained small. Part IV of GATT had been adopted in recognition of these problems but few concrete actions had so far followed. Mr. Sonsola appealed to the CONTRACTING PARTIES to take into account, in the multilateral trade negotiations and in the GATT work in general, the special problems of developing countries, particularly in the field of primary commodities, so as to ensure their continued interest in the trade negotiations and in GATT. He concluded by expressing the hope that the developed countries, should they find recourse to balance-of-payments actions inevitable, would grant special treatment to the developing countries.

The meeting adjourned at 12.45 p.m.