

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 21 November 1974, at 10 a.m.

Chairman: Mr. H. KITAHARA (Japan)

Subject discussed: Activities of GATT

Mr. HIRAN (Israel) said that there existed at present the danger of a persistent and widespread application of import restrictions indicating, in terms of Article XII:5, the "existence of a general disequilibrium which was restricting international trade". He had, however, been encouraged by the response by major trading nations to the Chairman's appeal, reconfirming their intention to refrain from the imposition of import restrictions or the use of export subsidies to avoid balance-of-payments difficulties. In this connexion, he expressed the hope that when the relevant OECD declaration expired on 29 May 1975 it would be renewed. He considered that the present crisis was not one of the classical type where the balance-of-payments deficits of some major trading nations were matched by the balancing surpluses of other trading nations. A new category of nations had come into being the so-called MSA, the countries most seriously affected by the present crisis, many of which were members of GATT and were not in a position to accept a standstill in their present import and export régimes. He suggested the drawing up, within the framework of the multilateral trade negotiations, of a code of conduct to encourage the use of methods of restrictions whose protective impact was as small as possible, which did not unduly disrupt existing patterns of trade, and which created the least hardship.

As regards the establishment of a new economic order already mentioned by other speakers, he stated that one of the appropriate fora for having a dialogue on this question was the multilateral trade negotiations. He did not agree with the opinion that valuable time had been lost as a result of the delay in the beginning of the multilateral trade negotiations, because the time had been well used for technical preparations. What was important was the closing date of the trade negotiations. Furthermore, it had been learned in the meantime that the security of supply and access to sources of raw materials was just as important to international trade

as reductions of barriers to trade. Finally, in the agricultural sector, which had always been neglected in past tariff negotiations, profound changes had taken place.

He pointed out that the question of reciprocity was, for his country, one of the key issues in the future negotiations. He felt that in general the principle of non-reciprocity should apply to developing countries, but he was of the opinion that the extent of their contribution should be measured according to the degree of economic development. The degree of reciprocity from developing countries should vary from one case to another. In the tariff field, developing countries should, in general, be asked to reciprocate on a product-by-product basis only. Israel intended to take advantage of special techniques and provisions which would be set for developing countries in the negotiations. In conclusion, he expressed the hope that, through the negotiations, a new form of trade expansion would be worked out which would provide equal opportunities for all States by taking into account their individual economic structures and specific characteristics.

Mr. MARIADASON (Sri Lanka), referred to developments in the economic situation which threatened the stability of the world economy. Because of monetary uncertainties, low stock levels coupled with speculation, and production and supply difficulties, prices for key commodities had boomed in 1973. With accelerating inflation and the possibility of serious recession, that situation had been reversed in 1974, and the situation for many developing countries which had not benefited from the improvement in commodity prices was precarious. As a result, heavy increases in import prices for essential goods had added to the difficulties of depleted external reserves and had reduced imports. These countries, including his own, had little margin left for a further downward adjustment of imports; they now faced a dislocation in even the normal working of their fragile economies and a serious decline in levels of already low food consumption. There was, therefore, a need for international action to stabilize and strengthen the world economy, in which special attention should be given to the need of developing countries to improve their terms of trade and to be assured of expanding markets at remunerative and predictable prices. In this connexion, he supported the Chairman's appeal to the major trading countries to refrain from increasing import restrictions or the use of export subsidies to solve balance-of-payments problems. There was also a need to move rapidly into the substantive phase of the multilateral trade negotiations to counter the recessionist tendencies. A restrictive trading system could only frustrate the efforts of developing countries to generate exports in their search for economic growth and development. He was encouraged by the indications by the major trading countries of their awareness of their responsibility to find solutions to the special problems and needs of developing countries. However, he noted that previous efforts to reduce tariff and non-tariff barriers to trade in traditional

commodities had produced disappointing results. He believed the negotiations would be a test of GATT's ability to safeguard and promote the interests of developing countries. He also considered that there was a need for co-ordination with other international organizations which had special responsibilities in the field of trade. He welcomed the proposal to create a Management Group to facilitate the carrying out by the CONTRACTING PARTIES of their responsibilities and to keep abreast of rapid developments, but he emphasized that developing countries should be adequately represented in such a group.

Mr. DUNKEL (Switzerland) referred to the opening address in which the Chairman had called upon the contracting parties to reaffirm their support for major principles and objectives whose implementation was more necessary than ever, having regard to the disturbed economic situation in which international trade was being carried on. Switzerland had subscribed to those principles and objectives and continued to uphold them. They had been supported by all the preceding speakers, and unanimity confirmed the contracting parties' adherence, not only to the wording and spirit of the GATT, but also to its methods of work. The periodic holding of overall negotiations, the implementation and safeguard of the results obtained in the various rounds of negotiations, were the two main levels at which the GATT traditionally carried out its activities and the contracting parties endeavoured to put into practice the basic concept of the General Agreement, which was the orderly liberalization of international trade. In present circumstances it seemed essential not to neglect any opportunity for co-operation at either of those levels.

The negotiations had been decided upon in Tokyo more than a year ago. The fact of pursuing only the preparatory work would not only bring into question the credibility of intentions, but would also discourage economic spheres and public opinion, and would contribute to aggravate still further the climate of uncertainty which characterized the economic situation. It was therefore urgent, and in the interest of all, to remove any doubt by entering into effective negotiations as soon as possible.

Active protection of the existing degree of liberalization was fully significant during periods of difficulty. It was therefore all the more appropriate to make good use of the modalities of co-operation and consultation defined in the General Agreement. Contracting parties should adopt a policy of prior consultation whenever they had to envisage adopting a measure which could affect the trade interests of third countries.

By the same token, it was important to improve liaison arrangements between the IMF and the GATT, and at the same time to facilitate regular contacts between trade policy makers, as the Director-General had proposed.

The commitments entered into by each government upon acceding to the GATT provided the contracting parties with the necessary machinery, in the field of international trade, for overcoming the difficulties with which they were faced, and for making further progress toward the elimination of trade barriers.

Mr. LAI (Malaysia) stated that the world economy was in a crisis situation because of inflation, increasing unemployment, a low rate of production and monetary instability. Without co-ordinated efforts the situation might grow even worse. He felt that the present uncertainties in the economic situation stemmed mainly from developments in the major trading nations who were unsure as to how to successfully balance their current accounts. He pointed out that developing countries had been enjoying for a short period of time high prices for many primary commodities they exported, although the benefits were somewhat offset by high prices they had to pay for their imports. Prices of primary commodities were now again declining while import prices continued to increase. The situation was therefore particularly serious for many developing countries. These countries, moreover, had no influence on the actions taken by developed countries to meet their balance-of-payments problems. These actions had repercussions on every country and would also effect the economic future of many of them. He commended the restraint shown by many contracting parties in refraining from taking trade restrictive action, but the danger of such action being taken was still imminent. He therefore supported the Chairman's appeal to the major trading nations to reconfirm their intention to refrain from the use of import restrictions and export subsidies. In particular, in no case should restrictions be imposed on imports from the developing countries.

He stated that the present crisis showed the interdependence of all nations and a global approach by means of consultation within a multilateral framework such as the GATT was therefore called for. An early beginning of the multilateral trade negotiations was therefore essential. One of the major achievements of the GATT was that it provided a forum for consultation among contracting parties to solve problems which had arisen. It was important that this machinery should be improved and strengthened so that it could also serve as an early warning system and would not enter into action after an event had taken place. He therefore supported the Director-General's suggestion of the setting up of a management group and he hoped that this question could be solved quickly.

Mr. PHAN VAN PHI (European Communities) said that the current economic circumstances were characterized by several factors of uncertainty. There was a need for GATT to be maintained in that it represented a set of rights and obligations as well as the appropriate framework for trade liberalization and expansion.

The Communities were aware of their rôle in international trade and their responsibilities in regard to all their partners in GATT as well as to the General Agreement as a set of rules. The Communities were also aware of the interdependence of all economies. Their establishment and subsequent enlargement had undoubtedly given an impetus to international trade as a whole, while the

Communities, for their part, relied on the rest of the world, both as an outlet for their exports and as a source of supply for their energy and raw materials.

It followed that the Communities could endorse the appeal that the Chairman of the CONTRACTING PARTIES had made: having regard to current difficulties, the trading nations should abstain from import restrictions, artificial export incentives or export restrictions. Indeed, the Communities had already undertaken a political commitment of that kind in another context. The Communities and their member States were staunch supporters of the rules and disciplines of the General Agreement, which in itself constituted a very specific and very compelling commitment. It was a fully adequate and, at the same time, irreplaceable legal instrument.

The Communities could also reaffirm their support for the procedures which, in GATT, allowed contracting parties to consult, discuss, and agree among themselves at any time. The example of the Arrangement regarding International Trade in Textiles showed that in appropriate cases the machinery of discussion and conciliation could function in a useful and satisfactory manner.

As regards the appeal which the Chairman of the CONTRACTING PARTIES had made concerning the urgency of effectively initiating the multilateral trade negotiations launched at Tokyo, the Communities could without hesitation confirm their desire that those negotiations get under way in order to dispel the dangers of protectionism and isolationism that seemed to be emerging here or there; the Communities were pursuing their active preparations within their own institutions so as to be able to play an active rôle in the negotiations. They would be ready to seek with all their developing partners the means of improving the de jure or de facto treatment granted to those countries in trade matters. Lastly, the Communities shared the hope that, in accordance with the Tokyo Declaration, all governments could rapidly obtain such negotiating authority as might be required.

With reference to the long-term problems of GATT and its relations with the International Monetary Fund, the Communities had participated in a positive spirit in the informal consultations that had taken place, and were still continuing, with the Director-General with a view to setting up a small high-level group to follow international trade developments closely and assist the CONTRACTING PARTIES in carrying out their responsibilities in that respect. The Communities and their member States were prepared to take part in such an experiment if the CONTRACTING PARTIES as a whole were in favour of it. They hoped to be able to play a rôle commensurate with their responsibilities vis-à-vis their partners.

Mr. RAHMAN (Bangladesh) said that the world economic, financial and trade situation had experienced unprecedented changes. The record rate of inflation and the demise of the fixed exchange rate system coupled with other fluctuations had not only made the international trade pattern difficult, but had also thrown the future development of international trade into relative uncertainty. He expressed his deep concern at these developments. He therefore associated himself with the Chairman's opening statement and also stressed his conviction that a country could not solve its problem by passing it on to its trading partners. He was certain that the call for reaffirmation of the principles of GATT by the CONTRACTING PARTIES and for the settlement of all differences through consultation within the framework of GATT would be well received.

He joined with other delegations from developing countries in expressing the hope that substantive negotiations would start at the earliest possible moment and that the interests of the developing countries would receive particular attention.

In conclusion, he expressed his country's belief that more co-operation on the basis of free and reciprocal trade should be developed between the developed and the developing countries on the one hand and among the developing countries on the other. Bangladesh, therefore intended to become a party to the Protocol Relating to Trade Negotiations Among Developing Countries.

Mr. SALIMA (Malawi) agreed with the Chairman's opening remark that the world was presently facing unprecedented difficulties. Events over the last year had affected the living standards of all countries, but in particular, those of the developing countries, which are not equipped to counter serious disruptions in international trade. The GATT had so far been the only international forum which could claim to restrain members from taking unilateral measures in the trade field which were detrimental to other members. However, it had not always been possible to prevent contracting parties from taking unilateral actions, some of which were even allowed under a waiver. He considered that there was therefore a need to review the consultative machinery of GATT, although no dramatic changes should be envisaged at this stage. Delays in taking steps to correct the anomalies however would lead to disenchantment with the GATT on the part of many developing countries. Hopes had been raised at the opening of the Multilateral Trade Negotiations in Tokyo, where industrialized countries had subscribed to the view that the interests of developing countries should be taken into full account in the negotiations. The Tokyo Declaration opened possibilities for a meaningful dialogue on primary products between rich and poor countries, but since that time only preparatory work had been undertaken. He hoped that the real negotiations could get under way soon and be speedily concluded.

Mr. CASTILLO (Spain) said that the present economic crisis affected the international community but was felt particularly by developing countries. The CONTRACTING PARTIES could only with a sense of responsibility and with imagination try to find solutions to the problems of this crisis, and establish a fair and more equitable world, in which, he hoped, the need would be recognized for the granting of additional benefits to all developing countries without any formal discrimination for reasons of geographical situation or economic or social system.

With regard to the immediate tasks of GATT, he expressed the hope that new trade negotiations would soon be embarked upon. The wide interest shown in these negotiations showed the way to overcome the present crisis through co-operation. It was necessary, as laid down in the Tokyo Declaration, to consider in these negotiations problems relating to tariff and non-tariff barriers, agricultural and tropical products, additional benefits for developing countries and safeguards. If any of these points was overlooked and the scope of the negotiations reduced, it was likely that the negotiations would not prove to be the most appropriate way to solve the present problems.

Another important task in this time of crisis was to continue the work carried out on the basis of the rules of the General Agreement so that the introduction of import restrictions was kept under control.

A new economic situation implied that within the GATT new bodies should be formed to deal with the new situation. He, therefore, supported the suggestion of the Director-General for the setting-up of a high level group which would make it possible to co-ordinate the activities of GATT with that of other organizations, particularly the IMF, and would be a forum for consultation and discussion to forestall any adverse development in international trade.

Mr. MACIEL (Brazil) said that for a number of years developing countries had sought a restructuring of the international economic system which should be founded on the concept of the interdependence of all countries. Because of the present world economic crisis industrialized countries had also become conscious of this concept and he hoped that interdependence would have the same meaning both to developed and developing countries. He endorsed the suggestions of the Chairman that the major trading countries reconfirm their intention to refrain from imposing import restrictions and the use of export subsidies to safeguard their balance of payments, and that the contracting parties should constantly seek to satisfy the special needs of developing countries. At the same time he noted that the report of the Committee on Trade and Development bore witness to the introduction of an increasing number of import restrictions which often affected sectors of special trade interest to developing countries. He also noted that the Provisions of Part IV had not led to exemptions for developing countries from such restrictions, in spite of long-standing requests to this effect.

Furthermore, in spite of the declaration adopted in OECD, many developed countries had found it necessary to intensify existing import restrictions or to introduce new restrictions. He therefore agreed with the suggestion made by the representative of India that consensus should be sought on the avoidance of new or intensified restrictions on products important to the trade of developing countries. As for the Committee on Trade and Development, he recognized that it should have a rôle of surveillance in the course of the Multilateral Trade Negotiations, so as to ensure that the priorities of developing countries would be taken into account. However, the monitoring of the progress for developing countries was an inherent task for the TNC itself, according to procedures to be set up by it, once effective negotiations were launched.

Mr. ADEWAKUN (Nigeria) said that the common pressure of inflation made it mandatory to co-operate in devising adequate solutions to the present problems. He emphasized the need for all contracting parties to respect the provisions of Part IV of the General Agreement and to introduce differential treatment in favour of developing countries in order to assist their economic development. He also stressed the need to adhere to the Tokyo Declaration which called for more favourable treatment for developing countries in the multilateral trade negotiations. His delegation appreciated the efforts made by many developed countries in this respect, but expressed disappointment at the failure of some countries to implement these principles because of balance-of-payments problems. The developed contracting parties should live up to the expectation of the developing countries. Imports from developing countries tended to be insignificant in total trade of the developed countries, and increases in these imports could not therefore, be deemed to be a source of material injury for the markets of the latter countries. The developed countries should devise internal adjustment measures to absorb temporary increases in imports from developing countries rather than invoke escape clause provisions. Any invocation of escape clause provisions against imports from developing countries frustrated the export growth of developing countries. He was pleased to note that a number of developed countries recognized the need for a new economic order to correct the disparities in the world economic situation. What was needed, however, was a spirit of co-operation in sharing common problems.

In conclusion, he commended the technical assistance received by developing countries and referred in particular to the country study prepared on Nigeria and the training courses in which a number of government officials from Nigeria had participated. Finally, his delegation considered that the Group of Three should remain in operation because its activities were of benefit to developing countries.

Mr. NUNES DE CARVALHO (Portugal) said that Portugal wanted to confirm its commitments under the General Agreement and its support for the principles and objectives of the GATT, including those in Part IV. He also reaffirmed his country's determination, in dealing with its economic difficulties, to having resort to consultation and conciliation in the framework of GATT. He shared the view that the GATT should remain the forum in which countries with differing trade interests and at different stages of economic development could consult and negotiate about their trade problems.

He reaffirmed his country's readiness to take part in the multilateral trade negotiations and considered that, as a European developing country, Portugal could hope to obtain in these negotiations a net benefit for its external trade, in the light of the principles set out in the Tokyo Declaration. He shared the view that the Tokyo Round should not be considered as a simple exchange of commercial concessions, but as a co-ordinated effort to be undertaken by the international community to strengthen a seriously threatened world economy. Furthermore, an effort should be made to adapt the institutional framework of international economic relations to the changes in the world situation and to lay the foundations for a better and more rational economic world order.

Mr. SAEZ (Philippines) associated himself with the many delegations which had supported the suggestions made by the Chairman in his opening statement, including the suggestion to strengthen the GATT mechanisms to prevent emergencies. He referred in particular to the need for closer collaboration between GATT and the IMF, for a reaffirmation by the major trading nations of their intention to refrain from imposing further restraints on trade, and for more frequent consultations within the framework of GATT. He emphasized the importance his country attached to the work of the GATT and to the forthcoming multilateral trade negotiations. His country had not escaped the adverse effects of the present economic situation and domestic measures had been taken to mitigate its impact on the Philippine economy. The economic policy of the Philippines was based on the concept of economic interdependence. Only by a general recognition of this concept could countries avoid adopting ruinous trade policies based on short-term advantages. The Philippines looked forward to fruitful participation in GATT based on the principle of a balance of reciprocal rights and obligations.

Mr. GOMEZ SAENZ (Venezuela), speaking as an observer, referred to the present crisis situation of the world economy, which contained elements of deep concern to all countries. The present perturbation of the world economy had often been attributed to certain causes but Venezuela had actively participated in the work of international organizations so as to help identify the real factors which had led to this situation. In the report of the Committee on Trade and Development increases in the price of oil had been mentioned by some delegations as the main

factor in the present situation of inflation. However, even before the oil crisis there had been developments which had greatly influenced the present world inflation. Furthermore, developed countries manipulated the instruments of their economic policy so as to preserve a high degree of competitiveness in international trade and to maintain their prominent positions in the world economy. He drew attention to a statement by the President of OPEC in which he said that the era of low-cost energy had come to an end, an era in which the consuming countries had profited at the expense of the producing countries. The world was now proceeding to a new international economic order which should be based on a balance in supply of production factors. He considered that GATT could be instrumental in promoting more equitable international trade.

Mr. PEREZ-TOMAS (Argentina) referred to the concept of interdependence which had been mentioned by other delegations and had led to the conclusion in the General Assembly of the United Nations that a new economic order should be established. Argentina accepted that this concept should apply to all members of the international community. However, as all countries did not have the same potential, Argentina believed that this concept should be interpreted in the light of the granting of a differentiated treatment to developing countries.

The meeting adjourned at 12.20 p.m.