

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,  
on Thursday, 27 November 1975 at 10 a.m.

Chairman: Mr. P.S. LAI (Malaysia)

Subject discussed: Activities of GATT

Mr. SALEEM (Pakistan) stated that the last year had witnessed for the developing countries worsening terms of trade, declining volumes of exports and rising prices of imports resulting in severe balance-of-trade and balance-of-payments deficits. The developing countries were victims of recession and inflation in developed countries and had no control over events. He noted that the balance-of-trade deficit of developing countries in 1974 was US\$40 billion and that the prospect for the year ahead was even gloomier. He considered that the CONTRACTING PARTIES had not done enough in response to this situation. The CONTRACTING PARTIES had been content with the fact that there had been no large-scale resort to trade restrictive measures. He regretted that no positive measures to help developing countries had been taken and that in the case of trade restrictions, developing countries had not been exempted from these measures. He suggested that the session should provide an occasion to devise positive measures to meet the critical situation of developing countries. Proposals could be prepared in a small representative group. In this regard, he expressed the hope that the Consultative Group of Eighteen would deal with this matter and examine current problems and thus be able to forestall any new restrictive actions.

Turning to the multilateral trade negotiations, he noted that in the year since they had begun there had been hardly any progress. Although the multilateral trade negotiations would deal with the long-term problems of developing countries, he stressed that what the developing countries urgently needed was a solution to their immediate problems, which could not wait for the negotiations to be concluded.

An area of special concern to his delegation was the operation of the Arrangement Regarding International Trade in Textiles. His delegation had had high hopes of this Arrangement, in the formulation of which it had played a leading part. However, much to his dismay, the Arrangement rather than being respected and honoured, tended to be bypassed and at times disregarded. He urged countries in difficulties not to solve their difficulties by compounding and multiplying the difficulties of those which were already in a distress situation.

He noted that this session coincided with the tenth anniversary of the adoption of Part IV of the General Agreement. Looking back over the ten years and evaluating how far the objectives of Part IV had been achieved, he noted that the CONTRACTING PARTIES were far removed from their goal. It was therefore appropriate to ask why the CONTRACTING PARTIES had failed and to decide on what they should do to achieve these objectives.

Mr. MACIEL (Brazil) noted that there had been a period of deterioration in the international economic situation as a result of recession and inflationary trends in developed countries. The first signs of recovery in the industrialized countries increased the possibilities of accelerating activities and of effective bargaining in the MTN. Contracting parties should therefore reaffirm that they would pick up the momentum generated by these tendencies and inject new force into their activities in the coming year. It was important that protectionist forces which had resulted from the recession should not endanger the liberalization efforts and in particular the objectives of the MTN. He emphasized that the renewal of efforts to open up the present trading system was essential for developing countries, in particular for the oil-importing developing countries. Facilitating access into developed countries for the exports of developing countries offered an opportunity for remedial action that might effectively help developing countries in their present difficulties.

He pointed out that a concerted effort to resume global expansion of world trade, in particular exports of developing countries, implied in the short term an absolute standstill on the imposition of new or intensification of existing import restrictions against developing countries. Such a commitment should exempt developing countries' exports from restrictions of a general character and it should result in the waiving in favour of developing countries of the strict application of trade rules of a retaliatory or restrictive nature. In the medium term solutions to these problems affecting the special interests of developing countries had to be found in the MTN and in negotiations elsewhere.

Mr. ANDREI (Romania) said that his delegation would like to reiterate that Romania was willing and anxious to take an active part in the negotiations.

It was disturbing to note not only the slow pace of the negotiations, but also a certain trend which was at variance with the permanent objective of liberalization. The undertaking by the developed countries not to introduce trade restrictions during that period of economic difficulties had suffered considerable erosion in 1974 and 1975.

His delegation was satisfied that a number of developed countries had eliminated or were not applying discriminatory restrictions on imports in regard to Romania. That had given a new impetus to the development of trade relations and economic co-operation between Romania and those countries. At the same time, he expressed his delegation's concern that other developing countries were still maintaining discriminatory restrictions.

Referring to the Tokyo Declaration, he said that the time had surely come to proceed to the establishment of special and more favourable treatment for developing countries, regardless of their socio-economic system or their geographical location.

In the present monetary situation, his delegation felt that there should be a new international monetary system which would enable economic exchanges to develop untrammelled, ensure an equitable relationship between currencies, and protect the advantages arising out of the multilateral trade negotiations.

The Arrangement Regarding International Trade in Textiles had already been in operation for two years, and the Romanian delegation considered that the efforts made by certain member countries to achieve its objectives were a step in the right direction.

Mr. METAXAS (Greece) said that the concerns expressed at the last session regarding the evolution of the international economic situation and the effects on developing countries had been justified because of the threat of new trade restrictive measures. The recession and the economic difficulties of the developed countries had adversely affected the trade balance of developing countries. It was therefore necessary to re-establish the growth in international trade through an open trading system because the recourse in this critical period to protectionist and restrictive measures would have damaging effects for all.

Furthermore, the multilateral trade negotiations should be accelerated with a view to obtaining a high level of trade liberalization based on new rules and guidelines which would secure the harmonious expansion of trade in the long term. In accordance with the principles of the Tokyo Declaration, substantial progress should be made in all fields, taking into account the particular problems facing

the developing countries. Special and appropriate treatment should be foreseen for all developing countries without discrimination. He also stressed the need for an improvement of the Generalized System of Tariff Preferences by suppressing all discrimination among beneficiary countries.

He considered that the provisions of Part IV no longer corresponded to actual realities. A revision should therefore be undertaken to render it operational and to ensure the rapid and sustained expansion of export receipts of developing countries. Greece had participated actively in the Trade Negotiations among Developing Countries and it was hoped that these arrangements would be enlarged with regard to countries participating, products covered and tariff concessions given, as well as with regard to the elimination of non-tariff barriers.

Taking into account the balance-of-payments difficulties of his country and other developing countries, he considered that the Consultative Group of Eighteen should pay particular attention to the search for appropriate means with which to meet the structural balance-of-payments problems of developing countries.

He stated in conclusion that he considered that the rôle of the GATT was more important than ever to ensure the success of the new multilateral trade negotiations, the scope of which was without precedent.

Mr. MOON (Korea) referred to the danger of proliferation of protectionism among developed countries and to the worsening trade and balance-of-payments position of developing countries. He regretted the inability of GATT to find solutions to the trade problems seriously affecting the developing countries. Existing restrictive measures had not been relaxed. On the contrary, for balance of payments as for protective reasons restrictive measures had been strengthened often in ways which most affected exports from developing countries.

He mentioned that by the end of 1974 Korean exports were subject to several hundred restrictive measures by developed countries, a tendency which had further increased during 1975. As a result the trade deficit with six major developed trading partners stood at about \$1.3 billion in 1974, which represented about 54 per cent of the annual trade deficit. During the first eight months of 1975 this deficit had risen to \$1.4 billion, which represented about 70 per cent of the total deficit. This demonstrated how dangerously the trade position of developing countries was deteriorating.

He added that there had also been encouraging developments and that there existed some hope for progress in the MFN. He considered as promising signs for the future the search for a new rôle for GATT in order to adapt its system to the

changing economic situation, the strengthening of co-operation with other international organizations such as the International Monetary Fund, increased co-operation among developing countries and the establishment of the Consultative Group of Eighteen.

He stated that it was most important to give fresh impetus to these developments and to respond to the call for action within the framework of GATT. This included above all the reconfirmation by the major trading countries of their intention to refrain from the imposition of import restrictions. Positive action should be taken to afford developing countries the benefits of special and differentiated treatment for their exports to the developed countries' markets.

Mr. MARIADASON (Sri Lanka) said that the recession in the developed countries had affected prices of primary products and severely limited export possibilities of the developing countries. The difficult situation had been aggravated by high prices for developing countries' essential imports. There was therefore an urgent need to rectify the severe economic imbalance in relations between developed and developing countries, with special attention to be directed towards developing countries most seriously affected by the crisis. In this connexion the CONTRACTING PARTIES should take full account of the resolution adopted by the General Assembly at its Seventh Special Session on development and economic co-operation. He welcomed, therefore, the pledge by the major industrialized countries to assure the prosperity of the world economy and closer economic co-operation. He also welcomed the recognition that the present deficits in the current accounts of developing countries should be dealt with by early practical action. He stressed that the multilateral negotiations should be accelerated, but regretted that no reference had been made in the Rambouillet declaration to the need to secure additional benefits for developing countries. He expressed appreciation of the fact that in the multilateral negotiations progress in the field of tropical products had been somewhat more satisfactory than in other areas of the negotiations. Matters such as product coverage, depth of concessions and timing of implementation were of special importance in this connexion. He expressed concern that the objectives of Part IV of the GATT had not been met and urged that great efforts should be directed towards its implementation. At the same time he wondered why it had not been possible for all contracting parties to accept Part IV.

As to the opportunities provided for enlarging trade among developing countries, he stated that his Government was actively considering accession to the Protocol Relating to Trade Negotiations Among Developing Countries. He welcomed the establishment of the Group of Eighteen. While it was too early to make a worthwhile assessment of its rôle, he expressed the hope that it would play an effective rôle in furthering the work of the CONTRACTING PARTIES taking into account the interests of developing countries.

Mr. MARTINEZ (Argentina), referring to the rôle of GATT in international trade, considered it a positive element that GATT had today 104 participants, of which eighty-three were full members, many being developing countries. He also noted that in the discussions of different GATT bodies more attention was given to the special problems of developing countries, although the results of such discussions had so far been only partial. He regretted that GATT dealt only marginally with questions of commodity trade and export financing and had not participated in discussions in the IMF and the OECD on balance-of-payments matters linked to trade, which were within GATT's competence. While appreciating the confirmation in the Rambouillet Declaration of the maintenance of the OECD principles, he said he would have liked to see also a direct reference to the GATT commitments. He supported the appeal to the developed countries to reaffirm their undertaking not to adopt measures which would limit the imports of products of special interest to the developing countries.

He expressed his regret that so little progress had been made in the multilateral trade negotiations concerning the differentiated treatment in favour of developing countries as provided in the Tokyo Declaration.

Referring to the question of trade among developing countries he pointed out that very little had been done by GATT in connexion with trade relations at the regional and intra-regional level. As regards the problems of intra-regional trade, he observed that it was not enough to eliminate barriers, as trade among developing countries also involved problems of infra-structure, transport, finance and channels of financing.

Referring to the Group of Eighteen he said that the Group in his view would be a valuable instrument in the work of the GATT provided it did not duplicate work undertaken in other GATT bodies. He also said that any results obtained in this Group should be transmitted to the CONTRACTING PARTIES in order to expand the area of consensus and to arrive at political decisions adopted by all contracting parties.

Mr. BRUNGART (United States) stated that the United States remained committed to preserve the momentum for a further liberalization of international trade and the multilateral trade negotiations to be carried forward with success, in accordance with the Tokyo Declaration. Furthermore, the United States remained committed to the improvement of the international trading system for the benefit of both developed and developing countries. The GATT continued to have a key rôle to play in this development and could take credit for the fact that, in this period of depressed economic conditions, there had not been a widespread resort to protective action which could have led to dangerous chain reactions.

He pointed out that since the last meeting of the Committee on Trade and Development a decree of the President of the United States had been published on the Generalized System of Preferences which would enter into effect on 1 January 1976. The decree also indicated that in the product coverage of the system more than 2,700 items would be included, covering manufactures and semi-manufactures, as well as selected agricultural and primary industrial products. He expressed the hope that the system would help developing countries to expand and diversify their exports.

Mr. CHADHA (India) stated that the annual review of the activities of the GATT was again taking place against the background of a continuing crisis in the international economy. While there were hopeful signs of an upturn in the economies of developed countries, the terms of trade for developing countries had declined further due to the continued downward trend of prices of their exports and further increases in the prices of their essential imports.

He believed that the unanimous adoption by the Seventh Special Session of the United Nations General Assembly of a comprehensive set of measures on international trade and development had raised fresh hopes for effective international action to improve the position of developing countries. The need for early practical action to assist developing countries had also been recognized in the Rambouillet Declaration. In the coming months both developed and developing countries would be engaged in a series of negotiations, which would determine if these declarations of intent would be backed by the political will necessary to translate them into concrete action.

He noted that the report of the Council showed an alarming tendency to impose new trade barriers, particularly on products of vital interest to developing countries, such as textiles and footwear. Apart from some marginal improvements in some general schemes of preference, he noted that there had been virtually no concrete progress toward the improvement of the position of developing countries.

He stated that progress so far in the multilateral trade negotiations had been disappointing, but the recent commitment at Rambouillet to accelerate the negotiations had given renewed hope.

He pointed out that in the search for solutions to the problems facing the world economy, special attention would have to be paid to the interests of developing countries, particularly the most seriously affected developing countries. Attempts by developed countries to solve the problems of inflation, recession and balance-of-payments disequilibrium at the expense of developing countries could only perpetuate the inequities of the past.

He recalled that Part IV of the General Agreement provided for a standstill on new barriers to the trade of developing countries and also provided for developed countries to explore more constructive remedies before taking measures which adversely affected developing countries. He stated that both of these provisions required developed countries to exempt developing countries from the imposition of import restrictions. He recommended a greater use of adjustment assistance so that sectors in which developing countries possessed natural advantages were gradually vacated by developed countries.

In conclusion he stressed the urgent need for finding solutions for the problems of developing countries experiencing exceptional payments deficits. He stated that efforts in this direction had hitherto been confined to measures for financing these deficits, but that consideration should also be given to the adoption of emergency trade measures, such as the suspension of tariffs or quantitative restrictions on products of special export interest to developing countries.

Mr. TSURUMI (Japan) said that in the present difficult situation there were strong temptations to solve domestic problems by means of trade restrictive measures. However, this could well cause a chain reaction of restrictive measures imposed by other countries, which eventually would cause losses for the whole trading community. It would therefore be timely and useful at this session to reconfirm self-discipline in the field of trade policy. He recognized the problems and difficulties of developing countries and said that it was the intention of his Government to participate positively in concerted efforts in the various international fora, including GATT, to find appropriate solutions to these problems. He then cited as a positive economic development that the economic growth rate of Japan for the second half of the fiscal year 1975 was expected to climb to about 6 per cent and that this would contribute to increasing imports from developing countries. In conclusion, he considered it useful for the contracting parties to confirm their determination to conclude the multilateral trade negotiations in 1977.

Mr. HARAN (Israel) stated that great restraint had been exercised in reaction to the current economic crisis. This, in his view, was a positive and important result of the efforts of GATT. The fact that many countries had hesitated to take steps which would have further limited access to their markets was greatly influenced by the multilateral trade negotiations. He stressed that it was by negotiations that major difficulties and a deterioration of the trading climate could be prevented.

He also referred to the difficulties which had been encountered by the majority of developing countries because import prices had risen and export markets had contracted while prices for their exports had declined. The result was not only a trade problem but a balance-of-payments problem as well.



He expressed the hope that major trading nations would reconfirm their intention to refrain from the imposition of import restrictions and that they would particularly avoid the imposition of restrictions on imports from developing countries. He emphasized that this was an obligation which practically all developed countries had accepted under Part IV of the General Agreement.

Referring to expansion of trade between developing countries, he supported the suggestion that a further step to increase this trade could be taken within the framework of GATT by making use of the presence of many negotiators in connexion with the multilateral trade negotiations.

He welcomed the implementation of the Generalized Scheme of Preferences by the United States, which would make a substantial contribution to this System.

Referring to the limitation of the duration of statements, he stated that if GATT was to be a forum of importance, it should be assured that its debates were conducted in a way which permitted its members to present the various issues which were of great importance in the world economy without being under time pressure.

Mr. PHAN VAN PHI (European Communities), referring to the economic situation said that the effects of the crisis were still serious but there were signs of improvement and of stimulation of the economies. It was understandable that in the light of the decrease in production and the importance of unemployment protectionist pressures from particular industries or trade unions arose. It was essential, however, that governments should be aware of the dangers of chain reactions and make full use of the margin of flexibility allowed under their national legislation, to resist such protectionist pressures and abstain from taking restrictive measures.

He stated that the Community was aware that in order to maintain the spirit of a constructive dialogue with developing countries the developed countries had particular responsibilities. In the effort of defining international economic relations which were more harmonious and balanced, the Community was aware that a number of matters had to be settled by a certain time. In this connexion he referred in particular to the date of 1 March 1976 for the deposit of offers in response to requests made in the framework of the negotiations on tropical products. The Community was preparing itself to meet this date with positive and realistic proposals. He repeated that the Community attached great importance to all the principles contained in the Tokyo Declaration and in particular that the various elements of the negotiations should move forward together and that tropical products should be treated as a priority sector.

Mr. HAMZA (Egypt) drew attention to the severe effects which world-wide inflation, coinciding with a deep recession, imposed on developing countries. While the prices of their primary commodity exports had declined considerably, prices for their imports continued to increase. In addition, as a result of the recession, restrictive measures had been introduced by developed countries. Since optimistic signs for an economic recovery had begun to appear, the time had come to consider certain policies which had been introduced inconsistently with existing provisions of GATT, especially with the standstill provision of Article XXXVII. In this connexion, he referred to Resolution 3362 of the Special Session of the General Assembly, according to which the developed countries should fully implement the standstill provisions as regards imports from developing countries, and any departure should be subjected to consultations, multilateral surveillance and compensation.

He stated that most restrictions had been imposed in the field of textiles and he expressed the hope that this area, as well as all other areas of interest to developing countries, would become less subject to restrictions and experience greater liberalization. Referring to the multilateral trade negotiations, he expressed the hope that the problems and difficulties of developing countries, which were very pressing, would be dealt with on a priority basis.

Mr. BARTON (Canada) stated that the economic problems which confronted the world community had had a serious impact on both developed and developing countries. This had led to pressure for the imposition of trade restrictive measures in many countries. He considered that contracting parties should acknowledge that without the constraints imposed by the General Agreement far more trade restrictive measures would have been introduced during the past year. He also considered that the multilateral trade negotiations were an important element in restraining pressure to impose new import restrictions.

With regard to the multilateral negotiations, he stated that they were the most far-reaching, comprehensive, and complex set of trade negotiations ever attempted. Their successful conclusion represented a challenge to all participating countries. He stated Canada's belief that not only the industrialized countries, but also the developing countries had a major interest in these negotiations and he reaffirmed that Canada stood behind the spirit and intent of the Tokyo Declaration in its provisions relating to developing countries.

He also stated Canada's belief that the existing GATT rules and facilities for consultation were as important and useful to developing countries as they were to developed countries, provided there was a will and a commitment to use the GATT effectively.

He agreed that the Seventh Special Session of the General Assembly had set the tone for a more constructive dialogue between developing and developed countries. He also considered that the GATT should give attention to the immediate needs of developing countries including how to achieve a more effective implementation of Part IV.

With regard to textiles, he noted that the Canadian textiles industry faced difficulties as great as those of any country. Nevertheless, he stated that Canada's policy continued to encourage trade liberalization while recognizing the necessity for safeguards on a selective basis where there was solid evidence of serious injury or threat thereof.

Mr. TOMIC (Yugoslavia) stated that the session took place at a time of exceptional difficulty for international trade and it was essential that the collective community and individual governments should take urgent measures to master the complications. The number of newly introduced restrictions had substantially increased under protectionist pressure in individual countries. A substantial number of further measures was under consideration and their acceptance by the respective governments would dangerously affect international trade relations and render the rules of GATT inappropriate for the circumstances.

Although new restrictive measures had been introduced, he believed that the recommendations of the CONTRACTING PARTIES had exercised their influence. His delegation considered it appropriate that the CONTRACTING PARTIES reiterate their confidence in the rules of GATT. In this connexion, his delegation welcomed the establishment of the Consultative Group of Eighteen, which could be of great use to avoid unilateral distorting actions.

The difficult situation in a majority of developing countries caused particularly by the size of their balance-of-payments deficits and substantial discrepancies in their terms of trade were major critical problems with which these countries were permanently faced. He stressed, therefore, the necessity for differential treatment in favour of developing countries. He noted that in spite of the commitments undertaken under Part IV no developed country in introducing safeguard measures, countervailing duties or anti-dumping measures had provided exceptions in favour of developing countries. This attitude had a distorting effect on the trade of developing countries but also affected developed countries as far as the volume of their sales to developing countries and repayments of credits by developing countries was concerned.

He once more drew attention to the prohibition of imports of beef and cattle by the European Communities and repeated that the measure was without justification in the GATT and that consultations on the matter had proved ineffective. Yugoslavia was seriously affected by this measure and by the proliferation of

other restrictive measures on products of export interest to Yugoslavia. He therefore stressed once more the need to avoid restrictive measures, to intensify consultations before taking any measures and to give effect to the provisions of Part IV of the General Agreement.

Mr. LUGON (Switzerland), after referring to the difficult world economic situation and particularly to the problems faced by the developing countries, expressed his belief that GATT could make a substantial contribution towards an improvement of the situation during the present round of trade negotiations. His delegation also endorsed the suggestion that contracting parties should avoid having recourse to restrictive measures and that they should reconfirm their intention to refrain from the imposition of measures or to resort to action which might distort international competition.

He recalled the statement of the Swiss delegation, made at the meeting of the Council in November 1974, concerning the need for contracting parties to make more use of the procedures provided by GATT for notification and information on trade policy measures. He said that it was essential for governments to have up-to-date official information available regarding trade policy measures of contracting parties.

The meeting adjourned at 12.35 p.m.