

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

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Page 34/35

SUMMARY RECORD OF THE THIRD MEETING

Held in the Palais des Nations, Geneva,  
on Tuesday, 25 November 1980, at 3 p.m.

Chairman: Mr. ERIC NETTEL (Austria)

Page

Subject discussed: Activities of GATT (continued)

34/35

Activities of GATT

Mr. DAS (India) referred to the implementation of the individual MTN Agreements and recalled his delegation's statement at the thirty-fifth session, which underlined that if GATT was to continue to play an effective rôle in the area of international trade policy, its unified structure must not be compromised, the transparency in the operations of the system must be assured, and the rights of the weaker trading partners must be preserved. One of the important MTN results had been the recognition of the need for differential and preferential treatment in favour of developing countries and that co-operation among them would contribute to their own growth and thus to that of the world economy as a whole. This, in his view, was an extension of the principles recognized in Part IV. The immediate task before the CONTRACTING PARTIES was the faithful implementation of the MTN Agreements so that the special and differential treatment granted to developing countries was not eroded through unilateral or restrictive interpretation of key provisions. He expressed concern that developments had already occurred in some individual Agreements which, unless checked from the beginning, would set an unnecessary trend of undue rigidity and thus upset adversely the balance of rights and obligations with respect to the developing countries. He also referred to the raising of certain minimum prices within the framework of the International Dairy Arrangement, which would have an adverse impact on the growth of international trade in these commodities as well as on the patterns of consumption, particularly in the developing countries.

He said that developments in the individual MTN Committees had assumed major importance to the contracting parties in the implementation phase, which involved the evolution of case law as well as interpretations and amendments of key provisions of the Agreements. It was necessary to guard against a compartmentalized

system with decisions being taken by a few countries in isolated bodies. He stressed that the CONTRACTING PARTIES had to maintain their supremacy and effectiveness in the co-ordination and direction of the entire post-MTN system and maintain the consistency of the various MTN Agreements with the basic GATT Law.

Turning to the Committee on Trade and Development, he recalled his delegation's having strongly supported the strengthening of the rôle of the Committee. One of the Committee's most important tasks was the work pertaining to trade liberalization, especially in the four areas of tropical products, advance implementation of tariff concessions, quantitative restrictions, and tariff escalation. He noted the considerable preparatory work done in all these areas and that there was general agreement that further impetus should be given to actual negotiations in areas of interest to developing countries, like tropical products and quantitative restrictions, which had reached a degree of preparedness so as to enable work to begin immediately in the Committee.

He expected that the Sub-Committee on Protective Measures would play a crucial rôle in focussing the attention of the CONTRACTING PARTIES on specific measures taken by developed countries on a country-by-country and measure-by-measure basis, relating these to the overall objectives and commitments of Part IV. It would also prove an effective check against protectionist pressures threatening the openness of the trading system and would prevent the imposition of new restrictive measures through an effective early-warning system. He also welcomed the establishment of the Sub-Committee on Trade of Least-Developed Countries, in whose work his delegation intended to participate, in keeping with its mandate.

He said that the expansion of trade among developing countries was another area deserving priority treatment in view of the vast scope of growth which existed and its potential for contribution to the economic growth of developing countries and of the world economy.

In respect of the GATT as an institution, he said that its activities had to be seen in the context of GATT's rôle in ensuring the fulfillment of its objectives, despite the strains and uncertainties which existed in the international economic and trading environment. The sluggishness in growth of world trade, rampant inflation, fluctuations in exchange rates and escalating levels of unemployment were symptoms of deep structural disorders. He stated that one of GATT's major goals was to resist the rising trend of protectionism in the industrialized countries by focussing on positive structural adjustment policies and programmes and by taking every conceivable step to maintain and enhance the openness of the trading system. Coupled with this goal was the task of speedy amelioration of the problems faced by the developing countries, particularly their mounting current account deficits, the alarming erosion in their export earnings and the frustration which they increasingly met, through factors beyond their control, in pursuing their objective of diversified development and growth.

He stressed that the GATT had to play a positive, pioneering rôle in the achievement of its objectives of bringing about a growing volume of real income and effective demand, in developing the full use of the resources of the world and in expanding the production and exchange of goods, tasks which had become even more relevant given the present state of the international economy. He submitted that it was an opportune moment for the CONTRACTING PARTIES to take the initiative, for example, in joint action with other international institutions in terms of Article XXXVIII to tackle the problems of resource flows, balance of payments, and terms of trade of developing countries.

Turning to specific activities, he said that it was important for the process of trade liberalization begun in the Tokyo Round not to lose its momentum. The GATT system should ensure that the MTN Agreements were faithfully implemented and that the special and differential treatment provided for in them was given practical shape, so as to enable developing countries to participate constructively and in consonance with their urgent developmental needs. He said that other areas requiring careful attention were the work of trade liberalization being currently undertaken in the Committee on Trade and Development and the effectiveness with which GATT could contribute to the growth of the developing countries, including their export trade, by bringing structural adjustment within the ambit of specific disciplines and surveillance procedures in the system itself.

He said that in the difficult days ahead, the GATT system would be put under strain, making obvious the need for streamlined dispute settlement machinery as well for ensuring maximum possible transparency and inter-relatedness of the activities of the GATT. In conclusion, he suggested that GATT would have to go beyond these matters and project its strong support for the establishment of equitable trading disciplines capable of adequately protecting the rights of the weaker trading partners. Only with such a broad and comprehensive approach could the GATT achieve the objectives enshrined in the Preamble to the General Agreement.

Mr. DANIEL (Poland) said that the effective implementation of all the MTN results would continue to be one of the main areas of GATT's activities in the future. He expressed the hope that the work of the Committees established under various MTN Agreements would bring more order to world trade and would lead to further liberalization to the benefit of all contracting parties. In order to maintain the unity and coherence of the GATT system, it should be possible for each contracting party to participate in this work. Furthermore, the CONTRACTING PARTIES should be kept fully informed of the developments in the Committees and Councils; and the rights of contracting parties under the General Agreement, including those stemming from Article I, should in no way be impaired by actions taken by these organs or by any particular party to those Agreements. Otherwise, the General Agreement might become a dead letter, while the MTN Agreements continued in force.

He stated that the forecast for international trade in the coming year was overshadowed by the deterioration of the economic situation, rising inflation and unemployment, which could increase the tendencies towards protectionism. It was therefore, necessary for GATT to maintain the momentum attained at the end of the Tokyo Round and to intensify its efforts towards minimizing the adverse effects on international trade. He emphasized that GATT should now concentrate its efforts on those areas which were not solved or sufficiently dealt with in the MTN and which had already been included in its work programme. Poland would support further action on non-tariff measures, with special attention being given to quantitative restrictions, particularly in the field of agriculture, and to safeguards. Enlarging the scope of work on other new topics would not be appropriate at present.

He expressed concern about the way in which some consultations on agriculture and safeguards had been conducted in the past. Poland attached great importance to both agriculture and a system of safeguards, and considered that more transparency, as well as a certain improvement in representativity in such consultations, were indispensable.

His delegation supported the proposal that the Consultative Group of Eighteen take up problems of agriculture in its debates, with the understanding that in due course more concrete steps would be undertaken. He also expressed the hope that the Committee on Safeguards would be able, in the not too distant future, to engage in substantive discussion.

His delegation shared the view that the conciliation function of the GATT would become still more important in the future, and felt that in order to build up confidence in the GATT dispute settlement mechanism, it was necessary for this mechanism to be effective and for the newly-revised procedures to be fully respected by each contracting party. Countries should also first seek consultations with other contracting parties before introducing any restrictions.

Mr. McPHAIL (Canada) recalled the CONTRACTING PARTIES' decisions at the thirty-fifth session to integrate the MTN results into the GATT and to dedicate themselves to the full and faithful implementation of those results into their national commercial policies and laws. Nevertheless, the past year had been a difficult one for economic management in most countries, where governments had to devise sensitive and effective policies to deal with inflation, slow or even negative economic growth, high levels of unemployment and serious structural problems in certain major industries. He said that despite the real temptation to resort to protectionism to alleviate political pressures for the short term and despite the magnitude of the problems faced, the line against protectionism had, by and large, been held. The fact that governments had been actively involved in implementing the MTN results had undoubtedly contributed to efforts to maintain and strengthen the open

multilateral trading system, as represented by the GATT. Moreover, important political declarations made in other fora during the past year had demonstrated the continued resolve of the world community to resist protectionism.

He said that the process of implementing the MTN results was a complex one, and expected that during the coming year, emphasis would be less on the technical problems of domestic implementation and more on the international aspects, on how the Agreements would be working in practice and on whether their complex of provisions, as well as domestic implementation, were resulting in the fulfilment of the objective of these Agreements. In Canada, the implementation activities of the past year had proceeded satisfactorily; and particular satisfaction had been derived from the contracting parties' beginning to reduce their tariffs and from the increased participation in the new Agreements by developing countries. He hoped that the next year would see still more contracting parties accepting them.

He said that in several other respects the activity within the GATT in the past year had reflected the importance the CONTRACTING PARTIES attached to special efforts to deal with trading problems and interests of developing countries, and to ensuring that developing countries could play a full part in the GATT framework. In this connexion, the Committee on Trade and Development had established two sub-committees: one to examine protective measures taken against developing country exports; the other to focus particular attention on the trade of the least-developed countries. In addition, the Committee itself had been examining what further work could usefully be undertaken in liberalizing trade in areas of special interest to developing countries.

The Canadian Government attached particular importance to the Framework Agreements, which had elaborated on certain GATT provisions, clarifying the situation regarding GATT obligations on export taxes and restrictions and making a modest but important contribution to the more complete integration of developing countries into the GATT, in full recognition of their more important rôle in world trade. Furthermore, his Government attached particular importance to the decision on notification, consultation, dispute settlement and surveillance, which had provided an important clarification and had strengthened the GATT provisions and procedures in this area. In such difficult economic times, it was a hopeful sign that contracting parties were coming to the GATT to seek resolution of their disputes.

He noted that this session marked the first anniversary of the Consultative Group of Eighteen as a definitive element within GATT. His delegation believed that this Group had played a useful and constructive rôle in the past twelve months by virtue of its informal and unstructured

nature, which had facilitated the exchange of experiences and had encouraged frank and open deliberations. It had helped clear the way for the establishment of a working party on structural adjustment, an important matter which the CONTRACTING PARTIES should examine within a comprehensive GATT perspective, i.e., within the context of the rights and obligations established in the General Agreement and its subsidiary agreements. His delegation supported the expansion of the range of activities of the Consultative Group of Eighteen so as to include in its mandate wide-ranging discussions of agricultural problems.

He expressed concern at the failure thus far to conclude an agreement elaborating the provisions of Article XIX, and said that without some major new impetus, the prospect of reaching agreement was remote. It was necessary in the coming months to reassess where these negotiations were heading and what could be done to provide such an impetus.

He concluded by referring to the conclusion in the GATT publication International Trade 1979/80 that current economic developments could be interpreted with some hope, but that the realization of the potential lay with the contracting parties themselves.

Mr. NZENGEYA (Zaire) reiterated the goals of the Tokyo Declaration and recalled the understanding in Tokyo that special efforts were to be made to resolve equitably the trade problems of all participating countries, while taking into account the particular trade problems of the developing countries.

He said that in spite of the good intentions expressed by all participants in the negotiations, however, the results had been disappointing for the non-oil-exporting developing countries, the growth of whose exports, in terms of volume, had fallen on average from 6 per cent in 1973 to 4 per cent in 1978. While their imports of manufactured goods had increased less than their exports, their trade deficit had nevertheless continued to grow from \$27 billion in 1973 to \$56 billion in 1978, due in large part to such imports. Furthermore, the share in world exports of the non-oil-exporting developing countries had fallen from 16 per cent in 1963 to about 13 per cent in 1979, while at the same time, these countries had accounted for 15 per cent of world imports. Imports of manufactured goods coming from industrialized countries had continued to increase, so that in 1979 their import surplus reached \$69.3 billion, of which \$56.4 billion consisted of imports of electrical and mechanical products. In his view, this analysis showed clearly that these countries were manifestly an important market for the developed countries.

He stated that non-oil-exporting developing countries were largely exporters of raw materials, upon whose prices they had no influence, and importers of capital goods, spare parts, manufactured goods and food products, and were suffering simultaneously from imported inflation and deteriorated

terms of trade. This increased their payments deficits and their external indebtedness. He referred to the GATT secretariat studies dealing with the fluctuating terms of trade of these countries and noted how difficult this made it to implement an economic development plan. Nevertheless, the development programmes had been pursued with the use of borrowed funds, with the result that certain developing countries had to apply about one fourth of their export earnings for debt repayment, without taking into account the constantly increasing interest burden. In spite of this, these developing countries had contributed actively to world economic activity.

He said that these facts revealed the big tasks ahead for the GATT in putting into effect the intentions and the results of the Tokyo Round to liberalize and stabilize international trade for the benefit of all. They also showed the worldwide importance of structural adjustments and of changes in commercial policy. In this context, he urged the transfer of resources through direct investments designed to increase economic activity and thus to help new countries to participate in international trade.

He said that in order to support infant industries in the developing countries, the developed countries should consider a tariff dismantlement in respect of semi-finished and finished goods while ceasing, at the same time, to speculate in respect of price levels for raw materials. In his view, only international commodity agreements could assure developing countries stable incomes for their development needs. He therefore felt that the Sub-Committee on Protective Measures should not limit its activities to measures actually applied to products of current interest to developing countries, but should also examine measures contemplated in respect of semi-finished and finished goods to be produced in the future by developing countries. He added that, to this effect, the Working Party on Structural Adjustment and Trade Policy should reconsider document CG.18/W/39, which contained innovative ideas in this respect.

Turning to the MTN tariff concessions made in connexion with the implementation of Part IV, he felt that the results fell short of the expectations stated in the Tokyo Declaration. He stressed that Zaire had already contributed to the tariff negotiations by implementing at one stroke all its tariff concessions as of January 1980, even before the ratification procedures had been concluded.

In conclusion, he expressed his appreciation for the technical assistance provided by the secretariat, as well as the hope that this activity could be increased in quantity and quality. He suggested that the Technical Co-operation Division might also contribute to finding practical solutions to certain problems arising from regional and sub-regional integration efforts.

Mr. INAN (Turkey) said that the world economy was passing through a difficult period and that any optimism for the near future was premature. Inflation, unemployment, and a fall in rates of growth of production contributed to an atmosphere of grave uncertainty with its drawback on investments and development, which made economic and political decisions increasingly difficult. This situation applied even to the industrialized countries, which could easier absorb such shocks; but it was the developing countries which suffered the worst consequences, gradually being deprived of their scarce means of development as their sensitive structures and infant industries encountered barriers hostile to their growth.

He stated that under these sombre circumstances, protectionism might seem to be an efficient form of defense for some countries, especially among the developed countries. However, as this two-edged weapon had an influence on exports and on the balance of payments of the developing countries, its negative influence would be felt by those using it.

He said that Turkey, whose export earnings hardly covered its oil bill, was particularly concerned about protectionism and its negative effects, and it urged the CONTRACTING PARTIES to maintain a firm attitude against this danger. Turkey, therefore, welcomed the creation of the Sub-Committee on Protective Measures and hoped that it would function with growing efficiency, providing developing countries the means of foreseeing, preventing and overcoming protectionist measures.

Turning to the implementation of the Tokyo Round results and to the fields in which the MTN had been insufficient, he said that most of the developing countries, including his own, had not yet signed the MTN Agreements. As each development in the framework of the Agreements constituted a new factor in the decision-making process of non-signatories, he was of the opinion that the signatories should be aware of their responsibility towards the other contracting parties and that they should act so as to facilitate the accession of a majority of developing countries in order to maintain the unity of the GATT. In this connexion, he stressed the principle adopted at the thirty-fifth session that the benefits derived from the General Agreement should not be negatively affected by the Codes.

He mentioned also that in the fields of agriculture and tropical products, where the results of the Tokyo Round remained feeble, the GATT had been acting in a prudent way to re-establish the contacts between the interested parties. As Turkey's foreign trade depended largely on the agricultural sector, his delegation was greatly interested in these activities and was ready to contribute to them.

Mr. JARAMILLO (Colombia) wished to highlight two points of major importance in the GATT work programme: agriculture and the liberalization of trade. With respect to the first point, his delegation supported the statement made by the Director-General on the manner in which this question should be dealt with in GATT, and had taken note of the possibilities for interested countries to participate in the discussion of problems which particularly concerned them. He expressed the hope that the countries not part of the Consultative Group of Eighteen would be informed in due course of the matters discussed and that they would be provided with appropriate documentation. He also hoped that the work in the Consultative Group would be carried out without influencing negatively the work on tropical products, already begun in the Committee on Trade and Development, and that in the not too distant future, questions relating to agriculture would be dealt with in an open forum in GATT.

Turning to his second point, trade liberalization, he stressed the priority which his delegation gave to the work being carried out in the Committee on Trade and Development in respect of certain sectors which had not received adequate attention in the MTN, namely, tropical products, quantitative restrictions, tariff escalation and advanced implementation of the tariff concessions.

He was of the opinion that a great effort had been made during the past year by the Committee on Trade and Development to clarify matters and to identify possible areas for concrete action. The work should not, however, remain indefinitely at the level of academic discussions. He recognized that certain preparatory efforts were necessary, but that they should be continued with a view to conducting concrete negotiations in these sectors so that the goals of the developing countries in the MTN could be reached.

He supported the views expressed by the representatives of Brazil and Jamaica with respect to the need to stem protectionist trends and the close linkage between this problem and that of structural adjustment in the industrialized countries. In conclusion, he expressed appreciation for the technical assistance provided by the secretariat to his country.

Mrs. ZIBERNA (Yugoslavia) said that following the conclusion of the Multilateral Trade Negotiations, the GATT Work Programme for the 1980s marked the beginning of an orientation towards new fields of international co-operation. Such an orientation was in the interest of all countries and of the GATT itself, whose rôle in promoting international trade and world-wide economic development would become increasingly important if the GATT adapted itself to changing world conditions.

Her delegation had noted with satisfaction that certain institutional solutions had already been found; but it was too soon to evaluate their impact. Her delegation attached the greatest importance to the future work of the Sub-Committees on Trade of Least-Developed Countries and of the Sub-Committee on Protective Measures. As for the former, she felt that the time had come to introduce concrete measures for the economic development of the least-developed countries. As for the latter, the protectionist measures increasingly applied in the industrial sector represented a constant threat for the development of Yugoslavia's trade with the developed countries, whose products were in turn indispensable for the economic development of her country. The trade deficits were a reflection of the different conditions of access to the various markets. She said that if it were true that structural adjustment was a lengthy process, then protectionist measures would surely make it an even longer one.

She stated that the safeguard clause constituted a source of uncertainty for the developing countries, and particularly those which had already reached a certain degree of diversification in their exports. A solution in this field would therefore constitute a decisive step towards new international co-operation within the framework of GATT.

In respect of agriculture, her delegation supported the orientation proposed in the statement made by the Director-General.

As for the implementation of the MTN Agreements, Yugoslavia had acceded to most of them in an attempt to contribute to the implementation of the rules and procedures foreseen by the Agreements, in particular for the differentiated and more favourable treatment to be given to the developing countries and for the further development of such treatment. She stressed that particular attention should be given to the danger resulting from conditional application of the MFN clause and from the autonomous and differential interpretation of rules and procedures stemming from the Agreements, not only when it concerned countries participating in them as well as the other contracting parties, but also within the participating countries themselves. Her delegation considered that GATT's major task in the implementation of the Tokyo Round results consisted in creating favourable conditions for a greater participation by developing countries in the new instruments.

Mr. HODARA (Uruguay) said that the most important event during the past year within the framework of GATT had been the implementation of the Tokyo Round results. The number of accessions to the Agreements had been satisfactory from the point of view of the developing countries, in spite of their small direct participation in the negotiations. There was now required a positive attitude on the part of the CONTRACTING PARTIES towards the Agreements, which should be interpreted and applied in a constructive and generous manner. With this as a backdrop, the fundamental line of action by the CONTRACTING PARTIES should be an orientation toward freer trading relations among all countries, and not limited to organized trade among the powerful ones.

His delegation was of the opinion that the General Agreement had to be interpreted and applied according to a new style, and that the GATT could not remain isolated from the efforts being made towards an understanding on the North-South relationship and the establishment of new international economic relations in the future. While he respected GATT's traditional pragmatism and technical performance from the trade viewpoint, strictly speaking, which made it different from the other specialized agencies, he felt that today this was not enough for developing the new type of international trade relations. There should now be a gradual search for a new balance between the results of the Agreements and the application of those results. Through an organization like this, the most developed countries could agree to methods and mechanisms which would bring all countries closer together for their mutual advantage. He felt that only in this way could the GATT make a positive contribution towards reducing world tension through better economic co-operation. If by the year 2000 the international organizations were unable to work under such a new concept, then little was to be expected from them. This was the challenge faced by the CONTRACTING PARTIES.

He asked whether it was reasonable to suppose that the international trade organizations had nothing to offer but annual encounters where the developing countries made known their complaints. Other international organizations had attempted to take this into account and to adapt themselves to the new conditions of an economically interdependent world and to a global concept of the problems of development. GATT should no longer limit itself in the traditional manner to the solving of trade problems, and should therefore adjust its priorities and procedures to the realization that trade and development are inseparable. Otherwise, GATT could become just another international organization engaged in sterile debate on questions with no solutions. To give GATT this new dimension, however, he said that the CONTRACTING PARTIES must act deliberately in order to avoid that the structure of the GATT of the past would lead to a system which would not favour the development of all of its member countries.

He explained that Uruguay had gained experience in this respect during the past few years by opening and modernizing the economy within its limited possibilities. State intervention had been reduced in order to achieve domestically a spontaneous interplay between supply and demand; and domestic trade had been incorporated into the competition of foreign trade. He said that Uruguay had accepted various Tokyo Round Agreements as well as the tariff Protocol and also continued to participate in other instruments, such as the Protocol Relating to Trade Negotiations Among Developing Countries and the Arrangement Regarding International Trade in Textiles. What, however, was the reality faced by his country? He said that Uruguayan agriculture, which had a considerable comparative advantage, now found it difficult to export its products to the developed country markets and faced competition

from an artificial and subsidized production from the developed countries in other markets as well. The new products and new markets developed by Uruguay were now endangered by all sorts of trade barriers, including the subsidizing of inefficient production by developed countries.

He stressed that this was done on the basis of rules established in the interest of those countries, which they did not always follow themselves. In renewing and re-equipping its traditional textiles sector, Uruguay had been obliged to limit its exports in order not to lose the limited participation given to it through negotiations with the developed countries. Under the pretext of structural adjustment in sectors which could not survive without protection, developed countries used protective measures which frustrated readjustment, punishing simultaneously their own consumers and foreign producers. In this way, they also postponed a solution which became increasingly difficult. He therefore stressed that a revision of the present trends was necessary. Although the MTN results were valuable, he felt that nothing had changed in substance, and while not wishing to under-rate their results, he considered that they belonged to the past.

He said that GATT formed part of the international organized community. What was needed was a coherent dialogue between developed and developing countries within the framework of global negotiations, in the perspective of new and constructive proposals related to trade and development. The developing countries were now trying to implement a programme of economic co-operation, one of whose main pillars was a global system of trade preferences among developing countries. This, in his view, was to be done with the aim of liberalizing trade in a healthful manner. He said that the CONTRACTING PARTIES should examine the results of these efforts, which he considered to be "the new style" of implementation of the General Agreement. He pointed out that the Committee on Trade and Development, seconded by the Consultative Group of Eighteen, would have an important rôle to play in these future tasks. Between these two mechanisms lay the area for future work on the problems of protectionism, unemployment, adjustment and opening up of markets, global negotiations and economic co-operation, all of this for the purpose of achieving genuine free trade for the development of those who needed it the most.

Mr. WINTER (Chile) noted that one year had passed since the implementation of the MTN results had begun, and that the entry into force of the other Agreements in the year to come would complete "the new GATT", as it had been called by the representative of Brazil. In his view, valuable experiences had been gained during the past year; and he hoped that the prevailing spirit of co-operation would continue.

He said that Chile had contributed to the overall efforts by participating actively and constructively in the implementation of the Agreements which it had signed, and had made a further contribution by perfecting a free and open external trade policy. This could not conceal the fact, however, that the basic prerequisite for the maintenance of such a policy was security of access to markets for Chile's exports.

Turning to GATT's future work, he said that the tasks lying ahead consisted of particularly urgent matters left over from the Tokyo Round. Thus, he expressed hope for a prompt solution in the field of safeguards and the closely linked work to be carried out by GATT in the field of structural adjustment.

In the fundamentally important field of agriculture, his delegation supported the suggestion by the Director-General that the Consultative Group of Eighteen be entrusted with conducting further consultations in agriculture. He was of the opinion that this work constituted a first step towards further liberalization of international trade in general, and that other steps should follow.

His delegation was also particularly concerned with the number of disputes which had emerged within the GATT. The quantity and quality of the problems bore witness to the fact that the provisions of the General Agreement should be adjusted to the new requirements and realities in the international sphere. He was confident that the Consultative Group of Eighteen would be up to this new task, and expressed the hope that in the light of its report at the next session, the CONTRACTING PARTIES would adopt new decisions with a view to ensuring continuing progress in the examination of solutions of outstanding issues in the agricultural sector.

He said that the task of the CONTRACTING PARTIES was not confined to the implementation of the Tokyo Round results, but also consisted of examining the serious world economic situation and its impact on world trade. He stated that the "new GATT" of the 1980s should apply imagination, determination and willpower to other matters such as the problems of energy, inflation and unemployment, and that, in the light of the General Agreement, the CONTRACTING PARTIES should transform multi-lateral action into an efficient tool for improved liberalization of international trade, and in so doing, bolster national efforts and policies.

Mr. HLAVATY (Czechoslovakia) said that the negative trends in international trade during the past year had been influenced by the recession in the market-economy countries. The world economy had experienced a major decline in its growth during 1979, which was likely to continue in the year ahead. He said that the instability of the economic situation in market-economy countries was accompanied by high rates of inflation and unemployment, prolonged monetary disarray, chronic imbalances in international payments,

structural problems and uncertain long-term growth prospects. He was of the opinion that the continuing growth of protectionism had become an instrument of trade policy of many developed market-economies and was a retarding factor for the development of international trade.

He stated that the new rules of trade in the form of the MTN Agreements were an important factor in achieving further liberalization of trade and preventing the growth of protectionism, and should be followed and implemented fairly by all concerned. Stability and certainty in trading should be promoted through these Agreements, on which traders could rely in making business decisions; and contracting parties should, above all, avoid recourse to actions, measures or agreements outside the GATT system, in order to avoid an erosion of the GATT rules. Furthermore, the improved dispute settlement system should play an important rôle in preserving the balance of rights and obligations under the General Agreement.

He regretted that the MTN results did not encompass all the various restrictions on imports, which were frequently applied without reference to GATT rules or procedures, leading to similar restrictive actions by others. Consultations on safeguards should therefore be pursued more expeditiously and with greater transparency; and solutions should be sought without sacrificing the basic principles of the GATT.

Turning to the accession to the MTN Agreements by non-contracting parties, he was of the view that the conditions should be flexible and reasonable and that no artificial obstacles should be created. Accession by these countries would facilitate the attainment of the objectives of universality in the application of the Agreements.

He stated that Czechoslovakia adhered strictly to the principles of non-discrimination in its trade policy and had taken an active part in the Multilateral Trade Negotiations. The implementation of their results, their faithful translation into national law together with a continuous attention to other untreated problems should be considered as a priority issue of the GATT Work Programme. Czechoslovakia had signed the Geneva (1979) Protocol; and the modified customs tariff, based on ad valorem duties representing a substantial reduction of rates, had entered into force on 1 July 1980, after completion of the renegotiation under Article XXVIII. He expressed regret that because of the non-existence of m.f.n. treatment between the United States and Czechoslovakia, the degree of discrimination for Czechoslovak goods in that country's market had been increased.

Noting that the Agreement on Implementation of Article VI had been accepted by Czechoslovakia, he said that in the Agreement on Interpretation and Application of Articles VI, XVI and XXIII there was a discriminatory criterion for the imports of goods from non-market economy countries, which was unfortunately also included in the national anti-dumping legislation

of some contracting parties. He stated that this criterion was not provided for in Article VI of the General Agreement or in the Anti-Dumping Code and represented a deterioration of the latter.

He expressed the view that the GATT Work Programme should be seen against the likely background of continued pressures on international trade and in the light of some MTN issues that were not completely resolved. He noted that certain ideas had already been advanced in the Council suggesting the possible approaches with respect to quantitative restrictions. His delegation believed that it was imperative that the process of negotiation toward additional liberalization of world trade, particularly in those areas where the results of the Tokyo Round were not satisfactory, be continued, and that the GATT was a practical forum for this purpose.

Mr. LUYTEN (European Communities) said that the EEC shared the view that the line of resistance against protectionism had been held over the last twelve months, despite the severest difficulties in certain sectors, and that the EEC stood firmly by its commitment to free trade. His delegation also shared the Chairman's views with regard to the contractual nature of the GATT and the need for vigilance in ensuring observation of the commonly agreed rules, and for the procedures to be implemented in a spirit of conciliation. He noted that there was, in legal terms, no equivalence between the commitments assumed by the different contracting parties, as some of them had taken greater commitments than others and were accordingly more likely to have their conduct called into question. He said that the objective should be progressively to reduce and eliminate this imbalance, commensurate with the economic development of individual contracting parties and their different possibilities. He referred in this respect not only to the progressive acceptance by developing countries of more of the GATT rules, but to the responsibilities which all contracting parties had in this connexion.

Referring to the GATT Work Programme, he cautioned against allowing it to become overloaded. The implementation of the MTN results and work in the textile sector would take up a large part of GATT's time and resources during the coming year. In respect of the work on safeguards, the EEC was prepared to continue to work towards a balanced and reciprocally satisfactory solution. His delegation regretted that many delegations had insisted that the whole programme of work of the Tokyo Round should be implemented but had not shown the same insistence on export restrictions and export restraints.

He said that a second important feature of the GATT Work Programme was the enhanced rôle of the Committee on Trade and Development, with its two new Sub-Committees. He emphasized that the work of the Committee and the two Sub-Committees should not be limited to North-South relations, and that there was a collective responsibility for ensuring that the new GATT institutions should succeed and that their work should also progress in substance.

He said that the trade relations between developing countries themselves also comprised an important factor, noting that since the early 1960s the EEC had encouraged progress in this area which, like the trade of centrally-planned economies, was also relevant to progress in the trade and development field.

He said that the EEC was glad that the special position of the least-developed countries was now better reflected in GATT, and recalled the particular effort already made by the EEC in this respect through the Lomé Convention and the Generalized System of Preferences.

His delegation had welcomed the decision to set up a GATT working party to consider structural adjustment. He said that the productive capacity in the EEC was subject to pressures which had led to considerable slimming down in a number of industries, particularly the textile and steel sectors. He said that in France and Belgium, by the end of September 1980, some 10,000 jobs had been lost in the steel sector since 1979, and that in the United Kingdom this figure exceeded 33,000. In textiles and clothing, 70,000-80,000 jobs, or 10 per cent of the workforce, had been lost in the United Kingdom alone within twelve months; and the situation was similar for other EEC countries. However, there were limits to the pace at which this slimming process could continue, particularly since EEC unemployment stood at over 7 million or nearly 7 per cent of the working population and was expected to worsen. He recognized that other countries, particularly the developing countries, also had serious unemployment, but stressed that those problems and the general economic recession would not be alleviated by a precipitous running down of industrial capacity in the developed market-economy countries, whose stability remained crucial to the health of the world economy in general and to the export prospects of the developing countries. He said that the solution was the creation of new jobs in other sectors; but this took time, and would continue at a socially and politically acceptable pace.

In referring to the GATT study "Trade Relations under Flexible Exchange Rates", he said that commercial policy could and did play a rôle in the attainment of economic policy objectives in general. Conversely, macro-economic developments, such as exchange rate fluctuations, might and did affect commercial policy, particularly in the case of small countries heavily involved in international trade. Although in the long run, exchange rate changes tended to reflect the trends in relative purchasing power, substantial short-run changes in exchange rates had occurred. He explained that the EEC had experienced changes in exchange rates which could not be wholly explained by fundamental developments in the domestic economies or balance of payments of its members. Considerable "overshooting" of exchange rates had caused instability in the economies of the countries concerned, particularly in terms of inflation. Furthermore, the overshooting of exchange rates did little to improve the balance-of-payments deficits, so that there was an increasing risk that countries would turn to protectionist and other measures which would have disrupted commercial trade relations.

He stated that these developments had been fundamental when the European Monetary System (EMS) had been set up two years earlier. Despite unfavourable recent developments in the world economy, the EMS had been largely successful in achieving exchange rate stability among its members and had thus prevented the emergence of stronger pressures for action to deal with balance-of-payments problems which could have endangered existing trade relations. The EMS had brought only partial stability, however; and the bulk of world trade continued to be affected by the system of flexible exchange rates. He thus underlined the need for harmony in meeting the objectives of trade policy and monetary policy to improve further internal and external stability.

Mr. AKRAM (Pakistan) expressed appreciation that the GATT Work Programme was a reaffirmation of the principles enshrined in the General Agreement and the Tokyo Declaration, because the Tokyo Round results had either left out areas of critical and fundamental interest to the developing countries or had offered minimal benefits. He felt that this was a serious situation and that many developing countries had still not accepted many of the MTN Agreements because it appeared that some were being applied in a manner that left something to be desired.

His delegation joined all those who had expressed the urgent need for finalizing the negotiations on such outstanding areas like safeguards in an open and more transparent manner. He stated that developing countries generally showed a great reluctance to raise trade disputes in the GATT because the dispute settlement mechanism was often too complicated and the dispensation of remedies too protracted. Unless GATT became a more effective multilateral institution, some developing countries would be convinced that it was unable to cope with the challenges of the 1980s.

He shared the concern that the recession in the developed economies would transmit its adverse effects to the developing countries, whose economic and social fabric was far more fragile and therefore unable to stand such strains and stresses. His delegation was therefore heartened by the professions and commitments to the GATT principles of an open and liberal trading system, which was the only pragmatic way out of the recession. He welcomed the establishment of the Sub-Committee on Protective Measures, which he hoped would in due course evolve the necessary instruments to cope effectively with future protective measures.

He drew attention to the report of the International Monetary Fund which had pointed out that protectionism in several sectors of international trade had become institutionalized, and recalled in this connexion that in the course of the following year negotiations would take place on the extension, modification or termination of the textiles Arrangement. In his view, this Arrangement was a sub-system which cut across some of the basic GATT provisions regarding non-discrimination, quantitative restrictions and preferential treatment for the developing countries. Pakistan would

therefore welcome a return to the GATT discipline in the textile sector, which was the only way in which the developing countries could be fully integrated into an international trading system in an equitable and fair manner.

In conclusion, he recalled the former Director-General's address at the twentieth anniversary of EFTA, in which he had said, inter alia, that the key to a continuing expansion of trade must be the opening of industrialized countries' markets for the products of developing countries, who would be able to deploy their own immense potential as importers only if given the opportunity to expand their export earnings.

Mr. PETRESCU (Romania) suggested that it would be of interest for the secretariat to prepare a study which could serve at the next session of the CONTRACTING PARTIES as the basis for an evaluation of the results and advantages of the MTN for different countries and groups of countries, of how the MTN Agreements had been applied and respected, and the difficulties that had been faced. It would furthermore be interesting to know the influence the MTN results had on trade in general and on that of the developing countries in particular.

He also suggested the following three goals for the forthcoming year: All contracting parties should abstain from taking protectionist measures, should respect the letter and the spirit of the General Agreement, and should take the steps necessary to encourage the trade of developing countries, whose potential for imports and exports was enormous. He considered that these were aims which could be achieved and which could even become priorities in the future activities of GATT.

He added that Romania wanted to develop its foreign trade with all countries on a balanced and equitable basis. He asked and expected that the limited number of contracting parties which still maintained restrictions incompatible with Article XIII and with the provisions of Romania's Protocol of Accession, eliminate these restrictions. He furthermore expressed the hope that the contracting party which still invoked Article XXXV in respect of Romania, in spite of the fact that it had granted m.f.n. treatment to Romania, would disinvoke that Article. He stressed that his country was making every effort, together with other contracting parties, for the achievement of the purposes of the General Agreement.

Mr. McPHAIL (United Kingdom, speaking on behalf of Hong Kong) drew attention to paragraph 17 of the Report of the Committee on Trade and Development concerning certain EEC measures affecting the importation of preserved canned mushrooms into the EEC from Hong Kong. Hong Kong believed that the EEC trade régime discriminated against Hong Kong, and had therefore entered into informal consultations on this subject with the EEC. He understood that the EEC was currently reviewing its import régime in this

sector, and expressed the hope that this review would lead to a non-discriminatory régime. Hong Kong was convinced that as long as the present régime was maintained, its GATT rights were being impaired, and therefore reserved its rights under the General Agreement.

In conclusion, he stressed that Hong Kong had always tried to play a full part in the activities of GATT and in the continuing development and improvement of GATT procedures, which would not only be in the interest of developing countries, but also in the interest of world trade in general.

The meeting adjourned at 6 p.m.