

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE THIRD MEETING

Held in the Geneva Conference Centre,
on Tuesday, 24 November 1981, at 3.30 p.m.

Chairman: Mr. GABRIEL O. MARTÍNEZ (Argentina)

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1. Consultative Group of Eighteen, continued

The CHAIRMAN recalled that in the discussion at the morning meeting on the membership of the Consultative Group of Eighteen in 1982, some contracting parties had asked for time for reflection and for consultations, and that the CONTRACTING PARTIES had agreed to revert to this question at the present meeting.

Mr. DUNKEL (Director-General) said that following additional consultations among the Latin American delegations, agreement had been reached informally on the composition proposed at the previous day's meeting. He added that in order to avoid a similar situation in future, those countries had decided to draw up certain criteria related to their participation in the Group.

The CONTRACTING PARTIES agreed to the composition of the Consultative Group of Eighteen.¹

2. Activities of GATT

Mr. DAS (India) referred to the GATT Work Programme adopted by the CONTRACTING PARTIES in November 1979 (BISD 26S/219) and said that the MTN package had not been quite satisfactory for the developing countries. He stressed that, in the operation of the MTN Agreements, the signatories should show utmost flexibility and should make a positive approach so that the developing countries would consider it worthwhile to become parties, since it was a cause for serious concern that the new Codes had thus far only a limited membership. If this membership was not near universality for at least the important Codes, it was

¹ See SR.37/2, page 21

inevitable that undesirable strains would develop in the GATT system. In order to preserve the integrity and consistency of the GATT system, the Committees charged with the implementation of the Codes had to enable the CONTRACTING PARTIES to discharge their rôle of overseeing these important areas of GATT activity.

He said that the concern of the developing countries was deeper because of the strains and uncertainties to which the international economic trading environment was subjected. Many disturbing features had emerged in the latest report of the GATT secretariat on the world economy, which showed that the current account deficits of the developing countries had been increasing rapidly. While the developed countries, too, had their problems of current account deficits, they had been more or less able to adjust their economies to reduce their burden. He believed that partly because of this adjustment process, the burden on the developing countries had increased since there had been an increase in prices of essential imports from developed countries to developing countries. A second important adverse feature was the steady decline in prices of primary commodities, which had been somewhat sharper in the case of commodities exported by developed countries than for those exported by the developing countries. This would lead to the conclusion that there existed a structural problem, particularly for the developing countries. He listed as a third important feature the fact that the balance of trade in the manufactures sector was becoming increasingly more adverse for the developing countries. The fact that this gap was increasing showed that the present structure was not conducive to obtaining an equitable trading and economic system. He added that the fact that these three negative features were becoming increasingly more pronounced gave rise to even deeper concern.

He was encouraged that issues such as the problem of structural adjustment, as well as trade liberalization, were being considered in the Committee on Trade and Development and in other GATT bodies, albeit at an alarmingly slow pace. He welcomed the programme of pilot studies in tariff escalation and that of plurilateral consultations in quantitative restrictions and non-tariff measures, and urged that the work be accelerated so as to permit concrete results in these fields over the coming year.

He then stressed that the time had come when the Committee on Trade and Development, the Council and other organs of GATT had to examine whether the specific obligations and commitments, relating to GATT as a whole and to Part IV in particular, were being implemented. He felt that the provisions of Article XXXVII:1(b) and Article XXXVII:3(b) had remained largely dormant.

He had also observed the erosion of multilateral discipline as a result of bilateral actions. He said that contracting parties had a special responsibility to strengthen and to improve multilateral discipline.

He fully supported the recommendation of the Consultative Group of Eighteen for convening the next session of the CONTRACTING PARTIES at ministerial level. Considering that countries other than contracting parties would also have an interest in this meeting, there should be a possibility for all these interested countries to take part in this meeting. He also expressed the hope that the Ministers would not limit themselves to stock-taking, but that they would also address themselves to the serious problems facing the world economic and trading system, in particular those of the developing countries. He said that when Ministers met in GATT after ten years, great expectation would have been built up around their deliberations, and it would be expected that they would make efforts to lead the trading system at least a few steps forward towards the goals and objectives of GATT.

Mr. JACOBI (Switzerland) said that it was a disturbing fact that the textile industry of contracting parties did not yet know what international trade régime would be applicable in that sector from 1 January 1982. In his view, the negotiations had to succeed because what was at stake was essential not only for the textile sector but for the functioning and application of the GATT system in other industrial sectors and likewise for the reliance that developing countries could place in that system.

With reference to the current situation of the world economy and international trade, the open trading system regulated by the General Agreement would have to prove its worth now and in the next few years. One should not await any easing of the situation before revitalizing the world economy through scrupulous application of the GATT rules and principles. Such discipline should be the cause of international trade recovery, not its consequence. The necessary political resolve should aim toward middle-term objectives, and would be convincing and effective only if confirmed and supported by all contracting parties.

The Swiss delegation supported the proposal by the Consultative Group of Eighteen for the November 1982 session to be at ministerial level. GATT Ministerial meetings were exceptional occasions, and in current circumstances could underline the seriousness and determination with which the contracting parties were upholding the GATT system. The outcome of the meeting must nevertheless be concrete and operational, based on intensive preparation in regard to both form and substance. To be efficacious, the ministerial conclusions should cover three elements: consolidation of the trading system regulated by GATT and its application by all contracting parties in a spirit of shared discipline and co-responsibility; improvement of the system through further development of some of its provisions (for example in regard to safeguards); and possible enlargement of GATT activities according to priority objectives to be defined by the Ministers.

Mr. CARVAJAL (Chile) underlined certain matters that deserved priority in the work programme of the CONTRACTING PARTIES, having regard to the current world trade situation and future prospects. Available information pointed to stagnation and in some cases backsliding of the world economy, due, inter alia, to recession in industrialized countries that had led to the introduction of protectionist measures inconsistent with the General Agreement. The very serious situation that had resulted was of particular concern to his country, which was endeavouring to keep its economy open toward the outside world. It was fundamentally contradictory that on the one hand the principal industrialized countries were frequently reaffirming their commitment to maintain and improve an open and free system for international trade and their attachment to the principles and objectives of the General Agreement, while on the other hand they were adopting or maintaining many measures that limited or impaired access to their market for imports, particularly from developing countries. While some of those measures were clearly of a protectionist character, others tended to limit the adjustment process and were preventing developing countries from making best use of their comparative advantages. A rapid solution to that fundamental contradiction was essential and urgent. The Ministerial meeting in 1982 would constitute an opportunity for solving those problems at the proper political level, so that the objectives and principles to which countries had subscribed would not become a dead letter. Adequate preparations for the Ministerial meeting would therefore have to be made in the coming year.

The committees established under the Tokyo Round Agreements had completed the procedural stage and were moving on to the substantive phase of their work. The Agreements had been operating satisfactorily and had secured greater discipline and transparency in the trade policies of the various signatories. Nevertheless, the time had come to strengthen and consolidate activities under those instruments, creating conditions that would allow a larger number of countries to accede to them. Agreements of that kind could constitute the basis for tackling other problems in regard to non-tariff barriers which were still outstanding.

His Government considered that certain topics should be given priority consideration in 1982 in the perspective of the Ministerial meeting. In the Committee on Trade and Development, work on trade liberalization had moved on to a stage of plurilateral consultations in which appropriate modalities and procedures should be defined for fulfilling the objectives of the work programme. Accordingly, it was to be hoped that the consultations programme could be completed in the first quarter of 1982, so as to allow early progress on trade liberalization for products of interest to developing countries. The Consultative Group of Eighteen was engaged in important tasks, and Chile was interested in membership of that body in accordance with the established principle of rotation. With respect to trade in

agricultural products in relation with the provisions of the General Agreement, although work on that topic was well under way, nevertheless in view of the gravity and implications of problems affecting the agricultural sector, speedier progress was necessary in order to correct factors that were distorting resource allocation and causing tension in international trade. For that reason, the topic should be examined in greater depth at the Ministerial meeting and, to that end, the Group of Eighteen should complete its discussions by mid-1982 so as to allow a frank and open debate in the Council of Representatives in preparation for the Ministerial meeting.

Another priority topic was the problem of safeguards. Virtual stagnation in the relevant negotiations was seriously affecting the stability and credibility of the international trading system. Accordingly, the Chilean delegation was requesting that substantive negotiations be held early in the coming year. In that connexion, the Director-General had stated, in his capacity as Chairman of the Committee, that a process of consultations and more systematic and intensive efforts would be launched in the near future in order to seek a solution to the problem of safeguards.

Mr. HILL (Jamaica) said that the Government of Jamaica, since its accession to the GATT in 1962, considered an open trading system, as well as stable monetary and financial markets, as the bases for durable development. The Government laid great emphasis on creating conditions for the efficient functioning of the market system. The stimulation of exports to provide dynamism to the Jamaican economy was a priority, as was the investment environment designed to increase productivity and employment. He said that Jamaica had and continued to liberalize its already open trade régime in co-operation with its partners in the Caribbean Community (CARICOM). It had been against this background that his delegation supported the proposal to convene the thirty-eighth session of the CONTRACTING PARTIES at ministerial level in 1982; but he cautioned against taking the intervening period as an excuse for delaying the necessary decisions that governments ought to take. His delegation believed that the time should be used creatively, and that the following matters deserved priority attention.

The first area was Structural Adjustment and Trade Policy, where a positive approach to adjustment based on consultations within GATT offered a way out of the present difficulties. There was need to ensure that through public policy measures the adjustment process could be balanced by equity in the market place because market competition was never perfect. He said that through appropriate and timely adjustment measures at the national level, primarily by the major trading partners, growth and development would be restored. The burden of adjustment could not be disproportionately thrown on the backs of developing countries, who had nevertheless done remarkably well in these difficult times to become vital and critical partners in the system of international exchange.

The second area was Notification, Consultation and Surveillance, where the Understanding of 28 November 1979 (BISD 26S/210) had been an important step forward in the life of GATT. The Sub-Committee on Protective Measures had been one of the ways in which this procedure had been used to good effect. The consultation procedure should, however, be used more effectively, and the Surveillance activities should be strengthened. The two special meetings of the Council in 1980 had been steps in the right direction. Referring to a recent speech by the Director-General on the "GATT System in a Changing World Economy", he expressed agreement with the Director-General's view of the future rôle of GATT and stressed that "bilateralism" should be pursued within the context of the established multilateral rules. He also believed that the increased emphasis by the IMF on its surveillance activity on overall balance of payments, exchange rate policies and external capital flows should be matched by a parallel effort in the GATT on the trade side to complete the multilateral surveillance of developments in the world economy.

As a third priority area, he mentioned the need for continuous trade liberalization with particular emphasis on integrating the developing countries more fully into the international trading system. He underlined the contribution that developing countries themselves had to make to the process both by undertaking liberalization measures and by increasing trade among themselves. His government believed most firmly that future trade liberalization in GATT had to ensure a balance of benefits for all developing countries.

His delegation believed that the CONTRACTING PARTIES session at ministerial level should allow for a stocktaking of the MTN results, as proposed by New Zealand at the March 1980 meeting of the Council, with due attention to the need for unity and coherence in the operation of the GATT. As to unfinished items left over from the Tokyo Round, his delegation placed particular stress on agriculture and trusted that the intensity and speed of the work on this subject in the GATT would yield positive results.

With regard to new areas to which attention had to be given in preparing for the meeting at ministerial level, his delegation believed that there should be the widest possible discussion on services to ensure that developing countries, too, derived a growing share of the benefits from services in the field of trade. As regards proposals on other subjects, care should be taken not to attempt to put before Ministers issues that were not sufficiently well prepared. The Ministerial meeting, being convened firmly within the context of the GATT, would ensure that the decisions and recommendations taken would have direct effect on the operations of GATT.

He recalled that, on the occasion of the adoption of the MTN Agreements at the thirty-fifth session in 1979, his delegation had been among those which had underlined that the functioning of those Agreements should not

transform the GATT into a series of isolated compartments, and that GATT, both as a contract and as a forum, was indivisible. Nothing should, therefore, be done to impair the unity and coherence of the GATT system.

In looking ahead, he believed that the CONTRACTING PARTIES could play a positive rôle in the fight against stagflation, and that the pursuit of trade policies should reflect the consensus that protectionist measures could only lead to a further deterioration of the stresses and strains in the international trading system. He recommended that the earlier statistical estimates by the secretariat on the restrictive effects of protectionist measures on world trade flows be kept up to date. He felt that a modest but important step had been taken in establishing in GATT a Sub-Committee on Protective Measures.

Mr. JAYASEKERA (Sri Lanka) referred to the report of the Committee on Trade and Development and viewed with particular interest the work in the area of Tropical Products, feeling that the concessions granted during the MTN on Tropical Products were inadequate and could only be considered as a first instalment. He said that this was an area which lent itself particularly well to special and differential treatment, since the bulk of world production occurred in developing countries. His delegation was of the view that work in tropical products, which was considered a priority sector, had progressed somewhat slowly, although it was a matter of some satisfaction that at the last meeting of the Committee there had been a broad consensus on a programme of plurilateral consultations to be held in the first quarter of 1982. In this respect, his delegation welcomed and appreciated the studies prepared by the secretariat.

He then referred to the Committees set up under the various MTN Codes, pointing out that there remained the unanswered question as to the exact rights of the contracting parties who had not signed the Codes. He said that few developing countries had signed the Codes and that most participated, if at all, as observers in the different Committees. However, the voice of the observers did not carry much weight in the Committees and there was concern among developing countries that the various MTN Agreements were not being implemented with sufficient flexibility, and that full reciprocity was sometimes sought from developing countries despite the objective of differential and more favourable treatment for developing countries, which had been an important feature of the Tokyo Round. His delegation was of the opinion that matters such as these as well as others of relevance to most of the contracting parties should be on the agenda for the proposed Ministerial meeting in 1982. The apparent lack of interest of the developing countries in the results of the Tokyo Round and its implementation should not be allowed to linger on into the Ministerial meeting and its aftermath.

Mr. NETTEL (Austria) said that the global economic situation was characterized by growing unemployment, inflation and stagnation of world trade. Austria was thus of the opinion that the objectives of the GATT were of special importance in this situation. The GATT should not only be an organization for good times but should also justify its value when economic difficulties arose on a world-wide scale. For this, the co-operation of all contracting parties was needed. In this difficult situation GATT was frequently confronted with protectionist pressures and it was therefore of particular importance for contracting parties to observe fully the obligations of the General Agreement, to implement the results of the Tokyo Round and to tackle the problems not yet solved in the Tokyo Round.

He said that in this situation the instruments of the Tokyo Round and the Committees established under them provided excellent fora to examine problems and to settle disputes. A number of problems had thus been solved and the Committees had also contributed to greater transparency of various questions. He believed it necessary that more countries - developed as well as developing - should accede to all the MTN Codes, as this would help to maintain and to strengthen the liberal and multilateral trade system.

He underlined that a concerted policy for structural adjustment measures was also of vital interest for international economic development. In one particular sector, namely textiles, considerable progress had been made over the preceding years in restructuring the respective industries. He expressed the hope that a mutually satisfactory solution on the Multi-Fibre Agreement, would be found shortly and that the efforts to improve provisions for safeguards would continue with more success than theretofore.

Turning to the problems of the developing countries, he said that better ways and means should be found to meet these countries' interests, and that appropriate co-operation on the basis of mutual trade preferences among themselves could also be helpful. Referring to the Paris Conference for the least-developed countries and the Conference of Cancun, he said that Austria believed that the performance and the outcome of the latter would have positive effects and give new impulses to the North-South dialogue. GATT would have an important rôle to play in this connexion in the trade field.

He expressed the hope that the 1982 Ministerial meeting would be thoroughly prepared so that Ministers could give the necessary guidelines for GATT's future work within the framework of the General Agreement. The Ministers would have to establish focal points for future GATT activities, taking into account actual economic realities.

Mr. GRÖNWALDT RAMASSO (Uruguay) said that the international trade situation was becoming increasingly difficult and the world economy was beset by persistent inflation, unemployment and monetary disorder while its growth was limited and unstable. There were still obstacles to international trade expansion. International trade statistics had recorded a 1.5 per cent increase in trade volumes in 1980 from the preceding year's level, and a still slower growth rate was expected for 1981. Serious recession could be avoided only through speedy and realistic action; in that context GATT should become a mechanism for attaining an appropriate measure of unity between trade and development, allowing a proper balance between the objectives and implementation of the General Agreement, and should continue to make a constructive contribution to strengthening international trade relations.

Referring to topics that had remained outstanding since the Tokyo Round, he underlined the importance that his delegation attached to reaching agreement on safeguards. The convening of a Ministerial meeting in 1982 seemed most opportune and it was to be hoped that many of the problems besetting international trade could be tackled seriously on that occasion.

High priority should be given to trade in agricultural products with a view to examining the situation of countries which, like Uruguay and despite limited economic potential, were endeavouring to open their economies; notwithstanding their appreciable comparative advantages, they were encountering serious difficulties in placing their products on traditional markets of developed countries because of highly protectionist policies. At the same time, non-competitive and often subsidized production from certain developed countries was displacing agricultural products from new markets that his country had been striving to consolidate. The problem could not be solved without a substantive change that could perhaps be brought about on the basis of the proposed Ministerial meeting. Developing countries should receive more favourable and preferential treatment than to date. In that connexion, future negotiations should establish the necessary mechanisms so that all countries could act effectively to improve the relative position of many of them in international trade.

Uruguay had already signed three of the instruments resulting from the Multilateral Trade Negotiations and was examining the possibility of acceding to the others. Nevertheless, under those Agreements careful implementation should be given to the provisions recognizing the special situation of developing countries in order to encourage greater participation in international trade. Solutions should be sought to the obstacles facing his country in placing new products on new markets. Those marketing operations were being threatened by new barriers introduced on the grounds

that the products concerned were benefiting from what, in his view, could be termed small residual subsidies, while industrialized countries were heavily subsidizing high-cost production under international rules that had been tailored to their needs.

Those aspects should be examined in the Committee on Trade and Development and the Consultative Group of Eighteen, with appropriate follow-up action. Similarly, greater transparency should be sought in the work of the Consultative Group of Eighteen, with provision for continuing and adequate participation by countries expressing a particular interest in the matters for which that body had responsibility.

In conclusion, he underlined the importance of the negotiations on the Multifibre Arrangement, which should recognize principles such as more favourable treatment for small producers; he believed that with collective endeavour and goodwill the means could be found for overcoming those problems which were of such concern to the CONTRACTING PARTIES.

Mr. McPHAIL (Canada) said that since the conclusion of the Tokyo Round negotiations considerable progress had been made by the contracting parties in their implementation: the tariff reductions agreed to were proceeding as scheduled; all MTN Agreements were in operation and were generally working effectively; and the increased participation in those Agreements, particularly by developing countries, was a matter of great satisfaction.

He said that the Council's active deliberations since the last session demonstrated the degree of complexity and sensitivity which increasingly characterized many issues in the current trading environment. The considerable time and effort spent on trade disputes reflected the increased willingness of contracting parties to seek solutions to their trade disputes through internationally accepted rules. Against this background, new problems had come to the surface; and the Council had had to feel its way in procedural matters and to explore alternative courses of action about certain aspects of the dispute settlement process, in particular, about the key links between a panel report, Council action on it, and the final resolution of the issue which the report addressed. Furthermore, the Council, in its special review sessions on Notification and Surveillance, had also begun to reflect on how the post-MTN GATT system was working.

Turning to agriculture, his delegation had welcomed the extensive and in-depth discussions initiated in GATT and looked forward to the more rigorous examination of these problems in the coming year. He expressed the hope that in the year ahead even greater attention would also be paid to the problems of exporters of other raw materials, and said that not only developing countries were concerned about problems of this kind.

His Government attached importance to the successful conclusion of a new Multifibre Arrangement which would ensure the orderly development of international trade in textiles and clothing consistent with adjustment objectives and responsive particularly to the needs of the newer exporting nations among the developing countries.

In dealing with questions relating to the Committee on Trade and Development, much basic work had been done with respect to possible further trade liberalization. He said that this would now be carried forward through a series of plurilateral consultations among interested delegations, and he considered that these co-operative efforts were best suited to deal with the range of tasks confronting the GATT in this field in coming months. In its review of Part IV and the operation of the Enabling Clause, the Committee had noted measures introduced by contracting parties to extend differential and more favourable treatment to exports from developing countries. He informed the CONTRACTING PARTIES that his Government, in its budget of 12 November 1981, had announced that duty-free treatment would be extended to imports from the least-developed countries of products covered by the Canadian GSP scheme. Rules of origin affecting products from least-developed countries would also be liberalized. Regarding the question of "graduation" out of GSP schemes for certain products, he said that while the Canadian position was that GSP benefits were extended unilaterally, non-contractually and non-reciprocally, his authorities had noted the views of several developing countries that arrangements for the withdrawal of benefits from certain suppliers should be based on objective criteria and operate in a transparent manner.

He also stressed the importance of the work of the GATT training programme and of the International Trade Centre, and mentioned the welcomed presence in Canada of the participants in the autumn 1981 French language commercial policy course.

Referring to present trends in the current economic situation, he said that many countries suffered from persistent inflation and increased unemployment, and that governments, from time to time, looked to solutions on the edges of the trading system. Aware of the dangers posed by an apparently growing tendency to focus on bilateral trade problems, the Canadian Government firmly rejected protectionism as a viable solution for competitive problems and, therefore, strongly supported the proposal that the thirty-eighth session be held at ministerial level. He added that such an initiative had already been supported by the Ottawa Summit, the Commonwealth Heads of Government meeting in Melbourne, and the Co-Chairman's statement following the Cancun Summit. Maintaining the liberalized trading system and furthering the process of trade co-operation required that GATT have a positive and forward-looking work programme and address itself to the current world trading situation in the most effective manner possible. Canada had, therefore, actively worked towards developing a broad consensus,

i.e. political will, in support of a GATT Ministerial meeting in 1982 to review the efficacy of the present system and to take a careful look at the future. This would provide for an international focus to permit the strengthening of the management of the trade system, and at the same time provide necessary reinforcement domestically for governments as they took decisions on difficult trade issues. Such a meeting, to be successful, had to be well prepared, so that, at the Ministerial meeting decisions would be taken to create a positive GATT programme of work and in turn produce the dynamics needed to establish a stable and prosperous world trade environment for the 1980s.

Mrs. de PEREZ (Ecuador) said that her country attached importance to the activities of GATT, recognizing the efforts being made to achieve greater trade liberalization and formulate rules that would allow greater transparency and discipline in international trade relations. The work done so far was not sufficient and new efforts were needed to secure for developing countries a larger share of world trade. Among the activities planned for the coming year, the session of the CONTRACTING PARTIES at ministerial level was of particular importance and should prove beneficial to the multilateral trading system. The basis should be established for more equitable treatment taking account of the needs and rights of developing countries in regard to trade; action was necessary to strengthen the position of those countries in world trade, as were adequate measures to combat protectionist pressures on a durable basis. If observers were allowed to participate in the Ministerial meeting, Ecuador would wish to take an active part.

Among other GATT activities, the Working Party on Structural Adjustment and Trade Policy was of particular importance. Its examination of production structures in which adjustment measures were necessary should encourage developed countries to undertake the relevant adjustments in their own economies in order to narrow the existing gap between the developed economies and the developing world. Ecuador depended to a high degree on exports of tropical products, some of which were encountering high tariff protection as well as a series of non-tariff measures, such as quantitative and other restrictions, that were hampering access to the markets of some developed countries. The plurilateral consultations on tropical products scheduled for the coming year would be a positive step toward liberalizing trade in those products.

In the context of technical assistance by the GATT secretariat to developing countries, the seminar organized at Quito in 1981 had been greatly appreciated and, in the view of her national authorities, a great success; the delegation of Ecuador wished to record its gratitude to the secretariat and in particular to the Technical Co-operation Division.

As the Chairman had pointed out in his opening address, it was necessary for GATT to attain a universal dimension, encouraging the accession of countries not yet contracting parties. The reason why a group of developing countries were not participating lay perhaps in the existence of major gaps

in the General Agreement, such as absence of an adequate multilateral system of safeguards; residual restrictions, whether quantitative or of some other nature, applied on products of which developing countries were major exporters; and problems regarding trade in agricultural products. Ecuador would probably change its attitude toward GATT if, in future, greater attention could be given to the needs of countries that were not contracting parties.

Mr. VALDEPENAS, Jr. (Philippines), referred to the report of the Consultative Group of Eighteen and said that it had made a positive contribution to the sober consideration and diagnosis of disturbing developments in international trade, of the international trading system and of trade relations in general. Although the broad picture emerging from the factual assessment and analysis of the secretariat on trade and economic trends gave no reason for unguarded optimism, he agreed with the Chairman's assessment that somehow positive signs had not been entirely missing in the work of the CONTRACTING PARTIES.

He said that the focus of the Philippines' concerns, in the light of the future prospects, was the spreading advocacy of both agricultural and industrial protectionism, which betrayed the inability of some industries to adjust to the growing competitiveness in the world economy. The report of the Consultative Group of Eighteen had mentioned in no uncertain terms the increasing resort to outside measures in trade which threatened to undermine the integrity of the world trading system and, eventually, confidence in it.

His delegation endorsed the proposal for the convening of the next session of the CONTRACTING PARTIES at ministerial level as a timely response to the complex difficulties and evolutionary phenomena affecting trade relations in general - a response which should eventually be translated into concrete actions. The session at ministerial level should consider issues of common concern and launch fresh initiatives to make the international market-place a more effective process for international efficiency in the utilization of world resources.

Mr. PRAVDA (Czechoslovakia) said that over the past two years the MTN Agreements and GATT's consultation mechanism had played a useful part in preventing a strong outburst of protectionism, although protectionist pressures generally had been gathering momentum. The MTN Agreements had contributed to the consolidation of the multilateral GATT system; and the presence of these new rules was an important element for achieving further liberalization of trade and preventing the growth of protectionism. The rules should be followed and implemented fairly, and the degree to which they would be internationally respected depended, to a great extent, on how the first significant complaints and violations were handled.

He said that the dispute settlement system, which had been improved in the context of the MTN, should play an important rôle in dealing with these complaints and in preserving the balance of GATT rights and obligations. In order to increase the credibility of this system, all contracting parties and particularly the major trading powers, should co-operate in exercising restraint over the complaints made, and they should accept, if necessary, findings adverse to them. The dispute settlement system should be further improved, particularly as to the procedures for disposal and follow-up of panel findings.

He mentioned that one of the shortcomings of the MTN was that they did not satisfactorily address the problem of quantitative restrictions, particularly discriminatory ones. The CONTRACTING PARTIES should carry out in a meaningful and more expeditious manner, and with greater transparency, the GATT work on trade liberalization in the area of quantitative restrictions.

He stated that safeguards constituted the major policy area requiring further negotiations, which should continue and be oriented towards preventing the selective application of measures as a tool for systematic discrimination.

Referring to the negotiations concerning the extension of the MFA, he said that while Czechoslovakia did not consider it to be a perfect instrument, its continuation could provide a reasonable approach for the management of textile trade in present difficult conditions. The extended Arrangement should not be more restrictive than the existing one, and its basic principles and objectives should be fully maintained.

He stated that Czechoslovakia supported the proposal to hold the next session of the CONTRACTING PARTIES at ministerial level, with the basic objective of creating conditions for full observance and application of GATT rules and principles and for elimination of existing derogations and violations of these rules. The composition and status of the meeting should be based on the judgment of the substance of the meeting, as well as on the wide interest expressed in the meeting by the world community, and on the desirability to reach concrete, practical and attainable conclusions. A session of the contracting parties with possible attendance of observers seemed to be a reasonable approach to this problem.

Mr. BAGBENI ADEITO NZENGEYA (Zaire) observed that the thirty-seventh session was opening in a climate of continuing concern over general economic recession that was reflected in slower growth of world trade and industrial activity, increased unemployment, under-employment, inflation and payments difficulties. Contracting parties were resorting to unilateral action because those various elements were inhibiting world economic growth.

In order to achieve a growth rate in the region of 4.5 per cent of gross domestic product per inhabitant and improve the terms of trade of developing countries, the latter should be able to participate more equitably in international trade relations. To do so, they needed better market access for their products, together with preferential special treatment.

A three-fold objective had been set for the Tokyo Round: to achieve the expansion and liberalization of world trade through the progressive dismantling of obstacles to trade and improvement of the international framework for the conduct of world trade - in other words the GATT; to secure additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports, acceleration of the rate of growth of their trade; and to secure a better balance as between developing and developed countries in the sharing of advantages resulting from that expansion, through measures designed to attain stable and remunerative prices for primary products.

At Tokyo, the expectation had been that efforts should be made to solve the trade problems of all participating countries, but taking into account the specific trade problems of developing countries.

With respect to implementation of Part IV and the Enabling Clause, some donor countries seemed to be applying their GSP schemes in a manner that was arbitrary, discriminatory and inconsistent with the spirit of paragraph 2(a) of the Enabling Clause and of Note 3. In an economic context that was particularly unfavourable for developing countries, donor countries should be prepared to envisage changes in their schemes and a positive response to the needs of developing countries. They should ensure objectivity and transparency in the operation of preferential schemes and the enabling clause. In the view of his delegation, the provisions of Part IV and the Enabling Clause established rights and obligations for the developing countries vis-à-vis developed countries. Consultations should be pursued on a continuing basis.

His delegation welcomed the secretariat studies on tropical products and quantitative restrictions; the Committee on Trade and Development could not continue its work unless plurilateral consultations were organized in a working party. In the view of his delegation, the secretariat should prepare similar studies on other commodities, including minerals and metals, so that the Committee could envisage action in the area of trade liberalization in favour of the countries producing and exporting those products.

With respect to technical assistance, GATT's duty was to take initiatives in favour of developing countries in order to secure their effective participation in GATT, and to inform those that were not contracting parties of

the advantages they could derive from acceding to the General Agreement. The seminars and training courses organized by the secretariat were of great importance for those countries.

In regard to safeguards, his delegation regretted that certain countries lacked the political will to arrive at a solution. In those negotiations, any hardening of positions and lack of flexibility would block the existing GATT system at a time when those countries were seeking pragmatic solutions that could yield durable results.

The Working Party on Structural Adjustment and Trade Policy should continue its activities while taking greater account of measures affecting semi-manufactures and manufactures produced by developing countries.

His delegation fully supported the recommendation for the next session of the CONTRACTING PARTIES to be convened at ministerial level with the objective of evaluating progress in implementing Part IV, examining possibilities for completing negotiations still outstanding, in particular in the area of agricultural products and minerals, and determining a future GATT work programme based on priorities to be determined by the Ministers. It was to be hoped that the session could be attended not only by contracting parties, but also by any other state that so wished.

In conclusion, Zaire's ratification of the General Agreement and the Additional Protocol clearly reflected his country's firm resolve to strive in the direction of international trade liberalization and participate fully in the existing trade system.

The meeting adjourned at 7 p.m.