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# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES  
Special Session  
30 September-2 October 1985

## SUMMARY RECORD OF THE THIRD MEETING

Held at the International Labour Office,  
on Tuesday, 1 October 1985, at 3 p.m.

Chairman: Mr. P. Rantanen (Finland)

Subjects discussed: - General statements (continued)

Mr. MARIÁTEGUI (Peru) said the Special Session provided an opportunity to address constructively the problems facing international trade relations, both among industrial countries and between industrial and developing countries. The serious erosion of GATT rules and principles, the growing tendency towards bilateralism and the increase in protectionism made it imperative to reaffirm the rôle of the General Agreement as a set of multilateral disciplines which guaranteed stability and equity in international trade relations. Peru was seriously concerned by the departure from consensus decision-making involved in holding this Special Session; in future, decisions should be taken by consensus. This would avoid the negative atmosphere created by lack of consensus, and would also avoid damaging the credibility of the GATT system. The international economic crisis had persisted despite recovery in some developed countries, and protectionism had continued to increase. This penalized developing countries in particular as they had to assume the burden of adjustment deriving from the present inequitable international economic order. For most developing countries, economic recovery in industrialized countries had not been translated into an expansion of trade or an improvement in export prices. It was ironic and contradictory that while some large trading countries pressed for a new round of negotiations to liberalize trade, they simultaneously adopted a series of measures which had the opposite effect. Developed countries pressing for a new round had the responsibility of creating a suitable climate in which negotiations could take place; compliance with the standstill and rollback commitments of the 1982 Ministerial Declaration would be particularly significant in this regard. Unfavourable trends in the terms of trade, increasing protectionism, severe debt problems, and disorder in world monetary and financial relations had all contributed towards frustrating the efforts made by developing countries to promote their development. He emphasized the debt problem, which was the single greatest obstacle to growth and development in his country. Peru had to devote a large share of available resources to debt servicing; this resulted in a reduction of imports of capital goods and inputs to levels below basic production requirements. The debt question was relevant to GATT because of the close links between trade and debt. In the light of this

situation, the indebted developing countries should enjoy special emergency treatment during a new round, and improved access to markets for their exports should receive priority attention. Such measures were essential if the basic objectives of the General Agreement were to be met.

His authorities reiterated their support for the views expressed in documents L/5647, L/5744 and L/5818. Important objectives for a new round included improving market access for products and sectors in which developing countries had a special interest, liberalizing trade through the elimination of tariff and non-tariff barriers, paying priority attention to subjects of interest to developing countries, and reinforcing and substantially improving GATT disciplines. GATT was not competent to address the issue of services. However, Peru and many other developing countries accepted that there were certain issues in the services area, the analysis and study of which should be continued in order to determine whether multilateral action was appropriate. His authorities considered it was necessary to initiate action in the monetary and financial fields, in parallel with efforts in the trade field. This was essential because it was not possible to implement a program of trade liberalization in the absence of a monetary and financial system which protected the world economy from present fluctuations and imbalances.

Mr. JUNC (Czechoslovakia) said the Special Session provided a timely opportunity for contracting parties to take stock of the present trading environment and to provide political impetus for implementing the 1982 Work Program, combatting protectionism and liberalizing trade. The economic crisis of the early 1980s was persisting; the fragile and uneven recovery had bypassed many countries, protectionism had not been arrested, and disregard for GATT principles and rules, including the use of trade measures for political ends, had continued. There was urgent need for action to assure the proper functioning of the international trading system and increased trade liberalization. The 1982 Ministerial Declaration covered most of the pressing trade issues, and implementation of the Work Program, which had come to a virtual halt, would provide a stable and predictable environment and would respond to new challenges. Commitments on standstill and rollback of protectionist measures could not simply be deferred to new negotiations. The objectives, substance and modalities of a possible new round should provide for equitable treatment of all participating countries' trade problems, and should secure adequate benefits for all.

Further trade liberalization was essential; the proposed new round should reinforce the principle of non-discrimination and the full application of the General Agreement, and should aim at reducing tariff and non-tariff barriers. Czechoslovakia placed high priority on a further opening of markets and urged substantial, broad-based improvements in conditions of market access. Quantitative restrictions not in conformity with GATT should be eliminated, preferably in advance

of any new round. Tariffs remained high and should be further reduced. An understanding on safeguards was necessary for predictability and security of access to markets; grey-area measures should be eliminated and Article XIX principles recognized. The proliferation of exceptions to and deviations from GATT rules, and the stresses created by protectionist forces in major GATT countries, were undermining GATT's credibility, thus jeopardizing the achievements of past trade liberalization efforts. Priority should be given in any new round to reducing barriers and distortions to trade in goods. New issues such as trade in services -- not currently covered by GATT -- and in counterfeit goods were important and required further examination; however, resolution of long-standing problems of trade in goods should not be frustrated or delayed by discussions on new issues. All contracting parties should be allowed to participate in a new round within the framework of mutual commitments, and non-contracting parties prepared to contribute to the achievement of the new round's objectives should be allowed to participate. The exchange of views begun at this Special Session should be continued in an appropriate GATT body with the participation of all contracting parties. This would make it possible to take a decision on launching a new round after a consensus had been reached on its subject matter and modalities.

Mr. ALFARARGI (Egypt) noted that the present Session was the first time in GATT's 38-year history that such a Session had been held at the request of one contracting party concurred in by the majority of the others. Regarding the agenda adopted at the start of the meeting, Egypt would have preferred an earlier version which had been drawn up in the consultations before the Session; however, in a spirit of cooperation, his delegation had not objected to the agenda finally proposed for adoption.

He said past experience did not warrant the confidence which some countries seemed to have in a new round of trade negotiations as a means of confronting protectionism. He recalled that developing countries had been told in the early 1970s that launching a new round would be the only way to meet protectionist pressures in developed countries, but the Tokyo Round had not met developing country expectations for a rollback of restrictive measures and removal of trade barriers. Egypt doubted whether a new round would reduce or eliminate the basic asymmetry in trade relations between developed and developing countries. Liberalization of trade should be pursued, as a first priority, through individual and autonomous actions. There was urgent need for confidence-building measures, such as implementation of commitments in the 1982 Ministerial Declaration, in order to restore credibility to the GATT system.

A new round of negotiations should be confined to goods only and should follow the sequence set out by 24 developing countries in L/5818. Proponents of a new round had suggested the inclusion of new subjects, such as services and investment, which had nothing to do with the

General Agreement as it existed now and as it had been intended to exist. The Tokyo Round, which had been the most comprehensive of all the past rounds, had not covered a theme alien to GATT such as services. He drew attention to the preamble of the General Agreement which referred to the "exchange of goods". Part I contained the two basic articles of the General Agreement identifying its scope. According to Article XXX, amendments to the provisions of Part I would only become effective upon acceptance by all contracting parties. Therefore, all the contracting parties would have to accept any changes to the basic structure or scope of the General Agreement. Furthermore, discussions on services in GATT could only continue within the parameters of the 1982 Ministerial decision on services and the 1984 agreed conclusions of the CONTRACTING PARTIES (L/5762); any movement beyond that would need unanimity or consensus.

Many other areas within GATT's competence deserved greater negotiating effort, including agriculture, quantitative restrictions, safeguards, textiles, dispute settlement, standstill and rollback, differentiated treatment for developing countries and implementation of the Work Program. The linkage between development, trade, money and finance was also important. He noted that Egypt had taken several steps towards liberalizing its trade despite the development and financial difficulties it had been facing. His country had participated actively in the past two rounds of trade negotiations and had joined most of the agreements resulting from the Tokyo Round. Egypt was willing to support all constructive efforts at reaching agreements based on consensus, as had always been GATT's tradition.

Mrs. PEREIRA (Nicaragua) said her country was among 25 developing contracting parties that had not responded to the US call for the Special Session. The fact that this group of countries represented only six per cent of the contracting parties' total trade should not be misinterpreted, since they strongly believed in and needed an open and efficient world trading system. Because a country was small did not mean it would not feel the harmful effects, on the world economy and on world trade, of the policy errors of larger trading nations. If some countries considered it necessary to launch new negotiations in order to carry forward the 1982 Work Program, then Nicaragua had no objections. However, commitments already made were not negotiable. Those commitments included a standstill on new trade restrictions, respect for the principle of non-discrimination, and the avoidance of trade measures applied for non-economic reasons. Since November 1982, Nicaragua's economy had been seriously affected by the non-observance of those commitments. In May 1983, Nicaragua's sugar quota in the United States had been drastically, unilaterally and discriminatorily reduced. Since January 1984, the United States had refused Nicaragua any benefits under the Caribbean Basin Economic Recovery Act, and finally, Nicaragua's trade with the United States, its principal trading partner, had been severely disrupted by the embargo imposed in May 1985. These measures should be removed in the interest of contributing to the creation of the necessary confidence among countries for launching a new round.

Nicaragua continued to support the views in L/5818. Priority areas for her country were: tropical products, agriculture, safeguards, and improvements in dispute settlement procedures. Any negotiation on services should be undertaken independently of those on goods. A reaffirmation of the principles in Part IV and of the provision for special and differential treatment was necessary in any new negotiating process. Nicaragua was ready to participate in the preparatory process for negotiations constructively and in good faith. The greatest possible participation and transparency in procedures were important principles which should guide every stage of the work. In concluding, she said that any new round should take account of the priorities set out in the Ministerial Declaration, and consideration might also be given to advanced implementation, where possible, of results which would benefit developing countries.

Mr. KACZURBA (Poland) said that his country had supported convening this Special Session because the need for a new round of multilateral trade negotiations to improve the GATT system and re-establish a basis for trade liberalization had been apparent for some time. The Tokyo Round agreements had not succeeded in checking protectionist pressures, and some of the agreements needed to be re-examined in the light of present-day realities. Implementation of the 1982 Work Program had been stalled. Given these factors, new trade negotiations should begin without unnecessary delay and should be carefully prepared; failure would cause further deterioration of world trade and would be a fatal blow to the authority of the GATT system. The preparatory process should be open and transparent, and all participating countries' interests should be recognized.

The 1982 Ministerial Declaration should be the starting point for the new round; however, not all the items in the Declaration had reached the negotiating stage. The substantial preparatory work required on most of them should be pursued as a priority before new negotiations began. Solution of these problems would help restore confidence among trading partners and would improve the trading environment. Poland's priorities were: an understanding on detailed principles for the non-discriminatory, transparent and degressive application of safeguard clauses; elaboration of improved guidelines for dispute settlement, including a more binding character for panel recommendations; a decision on a standstill of quantitative restrictions and other non-tariff measures as well as elimination of quantitative restrictions inconsistent with Article XIII; and regulation of trade in agricultural goods and in textiles. Any negotiations on trade in counterfeit goods would require additional examination and preparation. The inter-relationships between trade, debt problems and the monetary system should be recognized in the preparatory process and in the negotiations.

As for the inclusion of trade in services in the new round, the relevant work within GATT remained at the stage of information gathering and exchange; Poland therefore had serious doubts about the reasonableness and feasibility of including trade in services on an equal footing with trade in goods in the package of issues to be negotiated. This matter required further consideration to determine which services should be negotiated, and in what form. Potential implications for existing provisions of the General Agreement had to be considered. Poland strongly believed that negotiations on trade in goods and on trade in services should be conducted separately. Participation in the new round should be open to all interested trading nations, and should be based on equality and non-discrimination. Poland would participate in the new round on those grounds, and would continue to insist on the elimination of the discriminatory economic measures which had been introduced and maintained against his country for non-economic reasons.

Mr. CHOUDHURY (Bangladesh) said the present Session was being held at a critical juncture in GATT's history, in the wake of an upsurge in protectionist pressures which threatened the foundation of the multilateral trading system. GATT had evolved as a sound legal framework for increased liberalization in world trade, but had been unable to encompass sectors such as textiles and agriculture. In the textiles and clothing sector, a large number of developed countries were increasingly resorting to new forms of trade barriers inconsistent with GATT rules and with the Multifibre Arrangement. A pronounced bias towards bilateralism was threatening GATT disciplines. He referred to the decisions of the 1982 Ministerial meeting, including the commitments on standstill and rollback of protectionist measures, and those on measures to be taken to facilitate the trade of least-developed countries. Any negotiations on trade liberalization should reflect those decisions and provide for their full implementation, which the work done by the Sub-Committee on Least-Developed Countries during 1983 and 1984 should facilitate.

Mr. TRAORE (Ivory Coast) said his country had agreed to holding the Special Session because GATT could continue to play an efficient rôle in the multilateral trading system only to the extent that its actions took into account the interests of all contracting parties. He said that the economic recovery to which reference was often made was localized in certain countries, whereas the Ivory Coast and developing countries in general continued to be hit by debt, high interest rates, low commodity prices and difficult access to developed country markets. His country regretted the erosion of GATT rules through the proliferation of protectionist measures by the major trading nations. The Ivory Coast had been among those which had placed hope in the 1982 Ministerial Declaration and regretted that the Work Program, which had only been implemented to a limited extent, was now at a halt. His country was interested in strengthening existing GATT rules, above all those concerning trade in goods and raw materials, and in ensuring the full application of Part IV.

His delegation did not oppose including services in the new round of multilateral trade negotiations if the majority of the contracting parties so decided. Moreover, in concurring with the call for convening the present Session, the majority of contracting parties had implicitly pronounced in favour of discussing services. For the Ivory Coast, the following factors would have to be considered in the new round: the promotion of an equitable trade system within GATT guaranteeing access to markets for developing country exports; effective implementation of the Work Program; and no questioning the principle of more favourable treatment for developing countries, in particular for least-developed countries. GATT could only remain a viable contractual framework if it took into account the interests and priorities of all contracting parties. If GATT were to include in its competence more sophisticated sectors of interest to highly-developed countries but not to a great number of GATT members, it would become a "super GATT" with unpredictable results. The difficulties that contracting parties were facing did not arise from limits to GATT's field of competence but from a lack of political will on the part of some of its members which continued to infringe GATT rules selfishly and with impunity.

Mr. RICART (Dominican Republic) said his Government had supported the call for the Special Session to discuss the subject matter and modalities of a new round; this occasion provided an opportunity to address the current world economic crisis, and also to consider the precarious situation confronting developing countries. His authorities had no objection to including services in a new round, provided it was recognized that trade liberalization in agricultural, agro-industrial and manufactured goods should receive priority attention. The Dominican Republic would have difficulty in accordinig priority to issues such as services, which were marginal to the mainstream of GATT's work and of less interest to the majority of contracting parties. Too much attention was being paid to an examination of ways of including new subjects in a new round rather than to fulfilling the 1982 Work Program. He noted that protectionist barriers were still increasing and that growing use of subsidies was threatening countries which produced primary goods competitively. Subsidies to sugar, applied by a group of countries which were traditionally not involved in world trade in this product, illustrated this problem. There was a close relationship between international trade and external debt, and increased exports were essential for debt servicing. Growing protectionism was inhibiting the growth of light industry in the Dominican Republic and agricultural subsidies applied by certain industrial countries were preventing developing countries such as his own from achieving an adequate rate of economic growth and debt repayment capacity. Those countries which resorted to protectionism and subsidies were damaging their own economies because of the repercussions of these measures on international trade in an interdependent world.

Mr. NOGUEIRA BATISTA (Brazil) said his country had repeatedly reaffirmed its commitment to preserving the multilateral system and to trade liberalization, and had stressed that efforts to these ends should be made by implementing the 1982 Work Program; this remained the best available set of guidelines for improving the system. Erosion of the m.f.n. principle by discriminatory practices continued, often denying weaker economies their comparative advantage in specific sectors. Multilaterally agreed rules were neglected or interpreted as restrictively as possible, and disregard for dispute settlement procedures had resulted in open resort to retaliatory measures. His authorities could not share certain contracting parties' conclusions that resort to bilateralism was an alternative to a malfunctioning multilateral system and that initiatives to establish new international obligations, in sectors outside GATT's recognized competence, were a means of strengthening the system. The twin difficulties facing GATT were how to preserve the integrity of GATT rules and how to protect liberalization achieved in earlier rounds of negotiations. Improper functioning of the international monetary system was a source of pressure, but the main threat to GATT was the major trading nations' increasing reluctance to accept the rules of free trade and their inability to face or solve domestic macro-economic problems. GATT's unfinished agenda, as contained in the 1982 Ministerial Declaration, constituted a mandate for any possible trade negotiations in the near future.

Brazil was concerned that liberalization of trade in goods could not be pursued effectively because some major trading nations insisted that new issues, entirely outside the jurisdiction of the General Agreement, be addressed within the context of a new round. The idea that the industrialized countries would only consider opening their markets in the traditional area of goods if they were assured access in the new areas, was unacceptable to developing countries. As the history of trade in textiles showed, developed countries would not be able to move out of traditional sectors and would continue to protect obsolete industries at the expense of more efficient producer countries. The fundamental reason for rejecting, from the outset, the inclusion of services in new negotiations was that the service sector was too vital to Brazil's economic development and to its economic autonomy to be open to international regulation. Progress in services was being sought in exchange for vague promises of access to developed markets in goods. Pressure to include new areas such as services was undermining GATT's value in its agreed area of jurisdiction, trade in goods, and could threaten its survival. Progress on issues clearly within the competence of the General Agreement could not be indefinitely delayed while the rise in protectionist tendencies was used to achieve through coercion what persuasion had not achieved. Nor could progress be made without the major trading partners' willingness to address the macro-economic problems at the root of protectionism.

He said that the success of any effort to rebuild confidence in international cooperation depended on the acceptance by all countries, especially the most powerful, of discipline and respect for international obligations. One of the greatest threats to world economic order was that protectionism would become the rule and not the exception, making it impossible for the indebted nations to honour their financial obligations. Brazil was ready to participate fully in exploring the subject matter and modalities of a new round to implement the Work Program, and would not object to establishing an informal group to explore these issues; this would be on the understanding that such work would take into consideration the degree of maturity reached by different issues in previous discussions within GATT, and on the basis of full respect for the integrity of unanimous decisions taken at Ministerial level. The best way to assure success in these endeavours was to avoid hasty decisions formulated in a manner which might raise false expectations of agreement that did not yet exist.

Mr. DUMITRESCU (Romania) said that the world economy, international trade and international organizations including GATT were at a crossroads. It was up to all the contracting parties to act jointly and find solutions; this would require time, patience and a sense of responsibility. Failure to solve the problems of protectionism, of the instability in the world trading system and of developing countries' debt, as well as failure to reform the international monetary system, would jeopardize the evolution of the world economy as a whole. There could be neither security nor stability in the world without solutions to those problems, especially where faced by the developing countries. Romania's support for convening this Special Session reflected its conviction that in the present crisis in world trade and the trading system, efforts to find solutions had to be intensified, and international economic cooperation had to be strengthened. He recalled that Romania's Minister of Foreign Affairs had recently supported the new round in his statement before the United Nations General Assembly. Romania was prepared to discuss the objectives, subject matter and modalities of a new round provided that these reflected developing countries' particular interests and situations, taking into account the principle of differential and more favourable treatment for them. Priority should be given to the elimination of new and old barriers to trade in goods - both tariff and non-tariff. While Romania had no preconceived ideas about subject matter for the new round, new subjects of possibly exclusive interest to certain contracting parties should not be included at the expense of traditional subjects, which were of great interest to developing countries.

For the negotiations to be successful, contracting parties had to reaffirm the standstill and rollback commitments of the 1982 Ministerial meeting; they had to renounce discrimination, selectivity and measures taken for non-economic reasons. The liberalization measures decided would have to be accorded to all contracting parties; m.f.n. treatment had to be stable and free of political criteria. These elements were

essential to the credibility of the negotiations and to participants' confidence in them. Moreover, the developing countries could not be expected to continue to contribute to world economic growth and expanded international trade if the serious financial and monetary difficulties they faced were not resolved. In concluding, he said that Romania would cooperate fully to achieve as broad a consensus as possible, in order to assure the success of this initiative.

Mr. DASKALOV (Bulgaria), speaking as an observer, said that the initiative for a new round of multilateral trade negotiations would only be effective if it provided for equitable and open participation of all interested parties without prejudice to their formal affiliation in GATT. Recognition of this principle in the Tokyo Round had enabled Bulgaria to make its contribution to the liberalization process. His country therefore joined others that had called for widest possible participation in a new round, including in its preparatory phase.

Mr. QIU (China), speaking as an observer, said it was his delegation's view that the new round of multilateral trade negotiations would be a major event in international trade which would affect the economic and trade interests of all countries. Since some delegations had expressed the hope that participation in the preparatory and negotiating stages of the new round would be as wide as possible, especially among developing countries, such participation might not be confined to contracting parties only. China felt it would be desirable for countries which had been actively involved in GATT activities to participate in both those stages. His country was closely following developments in preparations for the new round, and if conditions were appropriate, would consider participating in it.

The meeting adjourned at 4.45 p.m.