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CONTRACTING PARTIES
Twenty-Eighth Session

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SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Friday, 3 November 1972, at 10 a.m.

Chairman: Mr. G. SMOQUINA (Italy)

Subject discussed: 3. Expansion of International Trade

Expansion of International Trade

The DIRECTOR-GENERAL made a statement to the CONTRACTING PARTIES in which he took stock of the present status of the work of the GATT and drew certain conclusions as to the way in which it should be pursued. The complete text of the Director-General's statement was distributed in document L/3766.

Mr. BATISTA (Brazil) stated that the work of the main committees had been dominated by the questions raised in connexion with the preparations for the forthcoming multilateral negotiations which were proposed by the most important trading nations in February of this year. It was then agreed by the Council that the committees should concentrate their work on an evaluation of techniques and modalities which would facilitate the preparation of the envisaged negotiations. The work was conducted on the basis of suggestions presented by the secretariat. He felt, however, that there was a lack of precise indications as to the scope and the general aims of these negotiations. This had prevented the conduct of more concrete discussions of specific techniques and modalities and their evaluation in the light of concrete trade problems. This situation was particularly difficult for the developing countries since, as a result of the lack of indications, they were not in a position to present any concrete proposals as to what the special techniques should be, that took into account their problems. The secretariat proved very helpful in producing special papers on the implications of suggested techniques and modalities. However, he felt that these suggested techniques and modalities were largely a consolidation of ideas already current in GATT and did not represent anything new. They, therefore, did not lead to new possibilities for the developing countries.

The developing countries had not yet sufficiently identified the trade problems in terms of effective barriers with which they were faced. That would have given a basis for an evaluation of what techniques would most effectively protect the interests of developing countries in the negotiations. It was therefore difficult for these countries to decide whether they wanted to associate themselves with the negotiations or not.

He felt that the CONTRACTING PARTIES should develop a better definition of objectives and some guidelines for the preparatory work of the negotiations. Political decisions would, therefore, be called for to give a special momentum to this preparatory work and it was for this session of the CONTRACTING PARTIES to arrive at these decisions in order to render the preparatory work more fruitful for the participating countries and especially for the developing countries.

As regards the secretariat's contribution to this work, he stated that the developing countries were grateful for the assistance received, not only for the special paper on implications of suggested techniques and modalities but also for the preparation of country studies. The secretariat planned to go even further by giving assistance in terms of groups of products and group of countries. Of particular importance was, furthermore, the proposal by the Director-General that a special preparatory committee should be established for the acceleration of the preparatory work done in the existing committees. Such a preparatory committee would have the advantage of integrating the work on industrial products and agricultural products. He felt that this idea should be given very thoughtful consideration.

Mr. NIYI (Nigeria) expressed satisfaction for the work done by the Agriculture Committee. He felt however that further progress in the preparatory work for the trade negotiations was hampered by the lack of definition of the objectives of the negotiations in the agricultural sector, in particular with respect to the trade interests of developing countries. The objectives, principles and scope of the negotiations in the agricultural sector had to be defined. He questioned whether the negotiations would be conducted on the basis of strict reciprocity or would there be a preferential treatment for developing countries. The product coverage of the negotiations should also be defined. Nigeria was interested in the inclusion of all processed and semi-processed agricultural products of major importance to developing countries.

He endorsed the principles contained in paragraph 18 of the Report of the Committee on Trade and Development which, in his view, constituted the basic platform for conducting the negotiations in a way satisfactory to developing countries. The terms and conditions applied in the Kennedy Round could not be used again as they had not considered the interests of developing countries.

The Agriculture Committee, in studying techniques and modalities for the negotiations, had taken full cognizance of the trade barriers arising from the agricultural policies of developed countries, such as production support measures, tariff escalation, variable levies and other taxes and charges. The secretariat was studying the export interests of developing countries vis-à-vis export obstacles in individual developed countries. Those studies would permit developing countries to determine which of the various suggested techniques and modalities would best suit their needs. At this session the CONTRACTING PARTIES should define the objectives, principles and scope of the future negotiations in the field of agricultural trade and give the Agriculture Committee and the Committee on Trade and Development appropriate guidelines. The special machinery to be established for the negotiations should ensure that the interests of the developing countries be taken fully into account.

Mr. BARDAN (Israel) stressed the need for strong co-ordination of the work of the three committees and their various sub-groups to prevent overlapping and duplication. At the moment, each committee appeared to work in isolation, as a result of which problems of jurisdiction had arisen, especially between the agriculture and industrial committees. It was clear that some solutions had to be found to these problems if the forthcoming negotiations were to be successfully concluded.

One such problem related to general topics which at the moment were being dealt with by sub-groups of the Industrial Committee. In April 1971, the Council decided in respect of licensing systems that the Agriculture Committee had the right to review the applicability to the agricultural sector of any solution evolved. However, this decision did not apply to other subjects such as import documentation, standards and valuation for customs purposes. The time had come to review the whole field of non-tariff barriers and to determine which could be deemed general and which belonged specifically to the agricultural or industrial sectors.

Another problem of jurisdiction related to the actual definition of the term "agricultural products". Some contracting parties drew the dividing line simply as falling after the twenty-fourth chapter of the Brussels Nomenclature, but that solution seemed too simplistic. Many contracting parties maintained that processed food products were in fact industrial products and should as such be dealt with by the Industrial Committee. This question was of considerable importance to developing countries, as very often the setting up of food processing plants represented one of the first stages of industrialization.

These and other problems of co-ordination had not received sufficient consideration. The Council or the preparatory committee proposed by the Director-General should take up these problems very actively.

With regard to the Group of Three his delegation considered the method of work which had been adopted by the Group - that of regular bilateral consultations with developed countries - most efficacious. Perhaps an aspect of the work of the Group which had not been given sufficient attention was that of identifying new problems in the trade of developing countries. He realized that the problem of identification of barriers was very difficult for the developing countries, but perhaps one way in which it could be tackled was by increasing the contacts between the Group of Three and individual developing countries or groups of developing countries with similar problems.

His delegation supported the main recommendations of the Group and particularly that import restrictions on the trade of developing countries should be eliminated, in particular in respect to all products included in the Generalized System of Preferences; and that positive measures should be taken to make use of the expanding markets in industrial countries for such items as fruits, vegetables, etc., originating from developing countries.

His delegation also welcomed the participation of the developing countries who are not contracting parties in the preparatory work for the trade negotiations. While the active participation of these countries had been confined to the main committees he hoped that they would also participate more in various sub-groups. Finally, he expressed concern at the demands to alter and enlarge the present safeguard provisions of the GATT as a precondition for further trade liberalization. On the other hand, other contracting parties had expressed concern about the increasing recourse to Article XXIII during the past year. His delegation felt strongly that to make use of the GATT machinery was in fact a way of strengthening the GATT. Furthermore, he was of the opinion that if indeed it proved necessary to enlarge upon the existing safeguard provisions, then it would be equally necessary to strengthen the consultative machinery of the GATT, so that any possible abuses or fears of abuse of such safeguards could be speedily and objectively dealt with.

Mr. KITAHARA (Japan) referred to the report of the Committee on Trade in Industrial Products and stated that his delegation considered the suggestion for duty-free trade in industrial products among developed countries a useful one. He supported the up-dating of the Illustrative List of non-tariff measures.

He felt that the initial discussion in the Committee on the question of safeguards should be continued with the intention of facilitating trade liberalization. His delegation also considered that the work of drawing up ad referendum solutions to non-tariff measures should be carried forward rapidly, and welcomed the fact that the Committee had concluded its work in drawing up texts concerning licensing and that the work on standards was nearing its final stage.

His delegation also welcomed the fact that it had been agreed to commence work on countervailing duties in parallel with work on subsidy measures in Working Group 1 and, simultaneously, work on quantitative restrictions and export restraints in Working Group 4.

The Report of the Agriculture Committee provided a wide range of views on the advantages and disadvantages of various approaches and would contribute to the preparation of future negotiations. The CONTRACTING PARTIES should now give guidelines for the forthcoming multilateral trade negotiations to facilitate the further work of the Committee. In his view, the objective of the negotiations should be to ensure a stable and steady expansion of agricultural trade in line with the expansion and liberalization of world trade and the improvement in the international framework for the conduct of commercial relations as enunciated in the joint Japan-United States declaration of last February.

With regard to pilot studies he stated that the feasibility of various techniques and modalities was to be explored without committing the position of participating governments. These studies should, therefore, not be considered as pre-negotiations. In order to make these studies meaningful for the future negotiations, careful consideration should be given to the methods used, and the selection of products.

In connexion with the Report of the Committee on Trade and Development he emphasized that an increase in export earnings of the developing countries was indispensable for their economic development. His Government had, therefore, implemented various measures in the field of trade for the benefit of these countries. Furthermore, it had recently decided to implement a 5-Point External

Economic Policy, subject to approval by the Diet, which included the following measures of special interest to developing countries:

- (1) Tariffs on mineral and industrial products and processed agricultural products would in principle, be lowered by 20 per cent across the board.

Among these products were included several products of export interest to developing countries such as prepared or preserved fish, vegetables, instant coffee, tea and textiles.

- (2) Japan's preferential tariff system in favour of the developing countries would be revised and its application would be improved.

His Government fully appreciated the work of the Group of Three and he expressed the hope that the Group would continue its work to ensure the follow-up action pursuant to its mandate.

In connexion with the participation of developing countries in the forthcoming negotiations, he hoped that as many developing countries as possible, including non-GATT members, would be able to participate.

Mr. Lai (Malaysia) indicated that new initiatives were needed in connexion with the multilateral trade negotiations. The groundwork had been conducted during the past year as shown by the reports of the different committees. The CONTRACTING PARTIES should therefore draw up guidelines for the continuation of the work. The maximum that could be done with respect to techniques and modalities without such instructions had already been done.

Equally important was that developing countries needed to know the objectives of the future negotiations concerning their trading interests, so as to enable them to search for and consider special techniques and modalities to attain such objectives. Thereafter, they would be able to determine their eventual participation in the negotiations.

His delegation was grateful for the secretariat's attempt to analyze the implications of the various techniques and modalities for developing countries although these studies had not been altogether successful. This was due solely to the too general expressions of the aims of the negotiations in the "declarations of intent". He valued very much the technical assistance provided by the secretariat.

The negotiations themselves as well as their preparations would constitute a lengthy process, but they should not be used as an excuse to postpone other important decisions, such as those proposed by the Group of Three. His delegation supported the recommendations of the Group of Three, in particular, those contained in paragraphs 45 and 46 of the Report of the Group. In this respect the developed countries should take prompt interim action.

The rate of progress in the matters under consideration by the Special Group on Trade in Tropical Products had been very disappointing. He insisted that developed countries take due note of the recommendations of the Group of Three in this area. The Group had also made recommendations concerning vegetable oils and oilseeds. As an interim measure contracting parties should give full regard to the recommendations adopted by the FAO Intergovernmental Group on Oilsseeds, Oils and Fats. He supported the statements made by other representatives with respect to the importance of the participation in the preparations of developing countries not members of GATT.

Mr. PETRESCU (Romania) noted that the Committees had hitherto done their work separately; it was important that their activities should now be linked. In the negotiations that were being prepared, the problems of agricultural products and of industrial products would be dealt with together, as would the problems of the developed and the developing countries. His delegation therefore supported the Director-General's suggestion; the proposed committee would be able to go further in combining the various possible solutions and in establishing more concrete objectives. To enable that committee to do its work, it would first be necessary to make as much progress as possible in defining the objectives of the negotiation. The Romanian delegation was ready to participate in that task.

Mr. ARCHIBALD (Trinidad and Tobago) stated that the results of the twenty-eighth session would have a very significant effect on the future work of GATT, because of the moment in time at which the session was being held and because of the conjuncture of international events. If the results of the present efforts were negative it would have a regressive effect on the immediate future and particularly for the developing countries. A new impetus to the work in progress was necessary for the preparation of the multilateral negotiations. His delegation supported, therefore, the setting up of a preparatory committee which was to integrate the work being done in other committees. The committee should deal with

the particular nature of the negotiations in regard to the developing countries, and should bear in mind that negotiations between developed and developing countries could not be the same as negotiations between developed countries. The question arose, therefore, as to what would be the nature of the difference between the two types of negotiations and whether there was any hope of defining this difference during the present session.

As regards the setting up of a timetable for the work programme, he felt that it was important to determine when the negotiations were to begin; when, therefore the preparatory work was to be concluded and when the next session of the CONTRACTING PARTIES would have to take place to lay down the final guidelines and the framework for the negotiations.

Decisions should therefore be made in this session as to the establishment of a preparatory committee and the setting up of an agenda for the next session. From the developing countries' point of view, further clarification was required regarding the objectives of the negotiations, so that the preparatory work could move to its next level. Finally, he expressed his delegation's appreciation of the assistance rendered by the secretariat to the developing countries, an assistance which was vital for them in this work.

Mr. PATEL (India) stated that his delegation had participated in the preparatory work of the committees and the working groups, and had suggested possible techniques and modalities to ensure that developing countries derived adequate benefits from the forthcoming multilateral trade negotiations. Definitive views were not possible without a clearer indication of their precise scope and objectives. The attention of all participating countries should remain focused on the interests of developing countries from the earliest stages of preparatory work. The absence of special techniques and modalities made developing countries apprehensive that they would in effect be net losers from the negotiations. With the Generalized Scheme of Preferences put into practice, tariff reductions would lead to the erosion of the preferential advantages enjoyed by developing countries under the schemes. While appreciating that both developed and developing countries would benefit in the long run from further liberalization of trade, he stressed that adequate compensatory advantages would have to be made to developing countries. To this end the scope of existing preferences should be broadened to include agricultural and other products and

improved by removing any ceilings. In addition, it would be desirable to give effect to tariff reductions on products not included in the Generalized System of Preferences through advanced implementation of concessions on a preferential basis in favour of developing countries.

Concerning non-tariff barriers, he pointed out that no progress in the removal of quantitative restrictions and other barriers affecting the trade of developing countries had been made despite the technical work being done by a number of working groups. In fact certain new restrictions had been imposed on products of interest to developing countries, in spite of the standstill provisions in Part IV of the General Agreement. For developing countries to gain meaningful benefits from the forthcoming negotiations, the concept of preferential treatment in the removal of non-tariff barriers should be accepted. In his view there existed no economic or administrative difficulties which prevented the removal of quantitative restrictions on a preferential basis. In the case of standards and health regulations he suggested that they be reformulated, taking into account the production and other processes prevailing in developing countries, and that in the meanwhile technical assistance should be provided to enable the developing countries to meet such mandatory requirements. In the field of valuation he requested that advance action be taken on the proposed solutions to facilitate imports from developing countries.

The discussion of techniques and modalities with respect to agriculture had generally been at the theoretical level, partly because of the complexity of the problem and partly through the lack of a precise definition of the aims and objectives of the negotiations. A more practical approach leading to negotiations would be possible only after reaching agreement on precise definitions and product coverage. His delegation had made suggestions as to how priority attention could be given to the trade problems of developing countries. These suggestions were contained in paragraphs 24-26 of document COM.AG/26. They related to the need to eliminate subsidies on products of export interest to developing countries, the inclusion of processed agricultural products in the Generalized System of Preferences, the granting of preferential access to developing countries through the establishment of levy-free quotas for products subject to variable levies. Consideration should also be given to the removal of tariffs and other barriers to trade in tropical products.

In order to make participation of developing countries in the forthcoming multilateral negotiations as effective as desired, they needed technical assistance, so as to enable them to identify with precision the obstacles which affected their trade. He was grateful for the valuable documentation being prepared by the secretariat.

His delegation fully endorsed the recommendations contained in the report of the Committee on Trade and Development for the future work of subsidiary bodies such as the Special Group on Trade in Tropical Products and the Group on Residual Restrictions. The Group of Three had made certain modest recommendations, after intensive consultation with representatives of developed countries, for the improvement of access for products of interest to developing countries. Appreciation of the work of the Group could be shown by the practical implementation of these recommendations.

The meeting adjourned at 12.15 p.m.