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SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 9 November 1972, at 10 a.m.

Chairman: Mr. G. SMOQUINA (Italy)

Subject discussed: 4. Review of International Economic Relations

Before opening the discussion on item 4 of the Agenda, the CHAIRMAN said that the representative of the European Communities had asked for the opportunity to make a statement regarding the renegotiations under Article XXIV:6.

Mr. LUYTEN (European Communities) considered the conclusion of the negotiations for the accession of new members to the European Communities as a striking event in the context of the evolution of international relations. The Treaty of Accession was due to enter into force on 1 January 1973.

As from that date, the acceding countries would embark on the process of adaptation laid down in the Treaty. In particular, from 1 February 1973 precise obligations of adaptation would apply in the agricultural sector which would involve on the part of acceding countries changes in their import régimes in this sector.

Taking account of the requirements of this process on the one hand and of the provisions of Article XXIV on the other, the enlarged Community would be ready to open the negotiations provided for in paragraph 6 of Article XXIV as soon as the procedures of ratification of the Treaty had been completed. This was due to take place before the end of this year and the enlarged Community was preparing to mark in a concrete way at that time the opening of these renegotiations by defining its position as regards the "compensatory adjustment", in accordance with the provisions of Article XXIV:6 in relation to changes to be made in the schedules of the three acceding countries. Following this stage, the enlarged Community as well as its partners would each need, from their respective positions, some lapse of time in order to prepare, starting from the basic documentation, the technical material so as to be able to embark, as soon as possible, on the operational phase of the negotiations.

The CONTRACTING PARTIES took note of the statement and agreed to revert to it later, if necessary.

4. Review of International Economic Relations

The CHAIRMAN suggested, in view of the complexity of the subject, to concentrate the discussion on a few major subjects. As he saw it, it would be necessary to give a positive reply to a few all-important questions. The first question was to determine whether the time had not arrived to begin to review as a whole the problems relating to agricultural and industrial trade, and the special problems of the developing countries, both with regard to tariffs and to non-tariff barriers.

If the reply was in the affirmative, the second question was what would be the best way of making an overall review of this kind and whether it would not be desirable for that examination to be made in an appropriate body; for example, a committee for preparation of the negotiations. His third question was whether it should not be one of the purposes of this overall review to define progressively the principles and objectives of the proposed negotiations.

Mrs. ZAEFFERER de GOYENECHÉ (Argentina) stated that this was the first opportunity for the CONTRACTING PARTIES to discuss the proposed multilateral trade negotiations. After having had the Third UNCTAD and the Assembly of Governors of the International Monetary Fund and the World Bank, as well as the important meeting of the heads of State of the enlarged EEC, and knowing the results of the Presidential election in the United States, the time appeared to be ripe for a reconsideration and a structural readjustment of international economic relations. It was apparent, from the discussions that had taken place, that the consensus of opinion was in favour of a definition, during the present session, of the overall objectives of the future negotiations and of the guidelines to be given to the various GATT bodies.

The Argentine delegation had circulated a memorandum relating to this item of the Agenda. Their memorandum stressed that the lack of an overall objective for the negotiations had limited the action of the preparatory GATT bodies, which were now seeking precise guidelines from the CONTRACTING PARTIES. The lack of an objective had also had negative effects for developing countries, since it had inhibited the secretariat from going much beyond a massive compilation of the traditional negotiating techniques and an examination of their advantages and disadvantages and some of their possible implications for developing countries. Argentina felt that the establishment of a common global objective would encourage the participation of developing countries in the preparatory work. In any approach to a consensus at this session there should be agreement that one of the fundamental objectives of the negotiations should be the expansion and diversification of the exports of the developing countries, in accordance with their trade and development needs.

Argentina hoped that the global objective of the multilateral trade negotiations would include

- (a) the expansion of international trade, both in agricultural as well as in industrial products, so that its rate of growth should show every year a sustained and sensible increase;

- (b) the liberalization as much as possible of international trade, taking into account the needs of each participating party and including all relevant elements of negotiation,
- (c) the significant expansion and diversification, in the short term, of the exports of the developing countries, and the increase of their relative participation in international trade, at least as required by their trade, financial and development needs.

The guidelines for the future work in GATT should focus on the application of differential treatments for developing countries, not only during the negotiations but also in the framework of the General Agreement itself. Such differential treatment should govern the various fields of international economic relations such as preferences and safeguards; for the latter, exceptions should be foreseen in their invocation and application, in favour of developing countries. The main interest of developing countries in differential treatment would be in a definition of the concept of reciprocity. This should be clearly defined, so as to avoid that developing countries would lose as a result of the negotiations. Differential treatment should also be established in favour of developing countries in case the benefits from the negotiations would be implemented in gradual instalments. Similarly, longer time should be allowed to developing countries in case of gradual implementation of obligations undertaken by these countries.

The international community had established differential treatments for developing countries in matters of trade, aid and financing. The CONTRACTING PARTIES had accepted it in the Generalized System of Preferences, in several programmes on tariff and non-tariff disarmament adopted at ministerial level, and in Part IV of the General Agreement with respect to some of the obligations under the GATT. The notions of preference, priority, and differential treatment should be improved upon and institutionalized in the General Agreement and accepted in a positive sense, not as mere exceptions to the principles of absolute most-favoured-nation and equal treatment which were not adequate for the incorporation of developing countries in the world economy.

Argentina supported the establishment of a committee for the preparation of the negotiations. It hoped that it would have wide and flexible terms of reference, including the definition of the general and sectorial objectives of the negotiations both for developed and developing countries; it should establish objectives and guidelines for the work of the three Committees (Agriculture, Industrial Products, and Trade and Development) which should take into account the particular problems and interests of the developing countries. It should draw up the general techniques and modalities for the negotiations, as well as the special techniques and modalities required for the full participation of developing countries, members

and non-members of GATT. And it should further the technical assistance by the GATT secretariat to developing countries, whether individually or in groups. This assistance should be extended to regional, sub-regional and inter-regional assistance programmes for the developing countries.

Mr. BRILLANTES (Philippines), speaking also on behalf of the observer delegations from El Salvador, Iraq, Jordan, Lebanon, Sudan, Thailand and Viet-Nam, recorded their appreciation for being able to participate in the discussion on the forthcoming multilateral trade negotiations.

He recalled that in the joint declarations made early this year, the United States, the EEC and Japan had stated that in the negotiations special attention should be given to the problems of developing countries, and also that the negotiations would be conducted on the basis of mutual advantage and mutual commitment with overall reciprocity. Other representatives of developed countries had expressed their intention of joining in the undertaking, while those of developing countries had declared that their association in the undertaking would depend upon the details to be applied to their participation. These declarations, responses and reactions had been made in GATT by member countries.

The first opportunity for developing non-GATT countries to express their views on the multilateral trade negotiations was at UNCTAD III. He drew attention to Resolution 82(III) in which the developing countries, whether members or non-members of the GATT, declared that the negotiations should provide them "with additional benefits that represent a substantial and meaningful improvement of their position in international trade so that they secure an increasing share in the growth in international trade commensurate with the needs of their economic development on the basis of non-reciprocity, non-discrimination and preferential treatment".

He shared the view of other delegations that in the light of these declarations made in GATT and in the UNCTAD the CONTRACTING PARTIES would have positive work to do and political decisions to take at the present session. As regards the joint declarations, he questioned whether the term "mutual advantage" applied only to trade relations among developed countries, or also between developed and developing countries, and how the term "mutual advantage" could be reconciled with "special attention to the interests of developing countries".

What the developing countries, including the Philippines, needed in regard to industrial products was preferential treatment for these products in the markets of developed countries on a non-reciprocal basis. The extension by developed countries of non-reciprocal free entry to the industrial products from developing

countries would be a dynamic improvement of the Generalized System of Preferences. "Overall advantage" should be thought of in the sense that concessions granted as between developed countries should automatically inure to the benefit of developing countries without reciprocity. Both these measures would, in fact, be "special attention" given to the interests and problems of developing countries.

With respect to the joint declarations he questioned whether overall reciprocity referred to reciprocity as between industrialized countries only; and whether there would be a separate time-table for negotiations among developed countries, so that negotiations with developing countries would have to await the results of the negotiations among the developed countries. He also asked whether "overall reciprocity" had the same implications as "burden sharing" or "harmonization of offers", in the sense agreed upon by the preference-giving countries before formalizing their offers of generalized preferences. If "overall reciprocity" meant that developing countries should also extend reciprocity to developed countries, he pointed out that this would not only contravene paragraph 8 of Article XXXVI of the General Agreement, but would erode the benefits from the Generalized System of Preferences; it might delay the improvements of those offers already implemented and might further delay the much-delayed implementation of some other offers. In this context, he reiterated the declaration made in Santiago that any benefits for developing countries resulting from the multilateral trade negotiations should be additional to and not in substitution of those already available to developing countries as well as those that were potential, as in the case of measures awaiting implementation.

He expressed the assumption that the export interests, actual and potential, of developing countries would be given special attention during the negotiations. One assurance of this special attention would be for the developed countries to offer, individually and as an economic grouping, concessions to developing countries. He urged the implementation of the principle in the Rey Report that fair division of efforts between developed countries should be applied on the basis of "more liberal policies rather than be aligned on the most restrictive positions". Bearing in mind that by reason of the expansion of the European Communities, the preference margins and advantages for developing countries would unavoidably be eroded and corroded, such offers and implementation of principle could be an outstanding symbol of the good faith and political will of developed countries. The CONTRACTING PARTIES might well wish to take a political decision in this regard which would facilitate decisions on the part of governments of developing countries.

He explained that the determination of the benefits to be derived by the developing countries from the negotiations could not be done in terms of the merits of various concessions at a static point in time, but should be weighed in the dynamic context of the continually worsening situation of the developing countries. This meant that progressively greater offsetting advantages in favour of the developing countries would be required, if they were to realize any net gains or additional benefits from the negotiations. Consequently, the developing countries, particularly non-contracting parties to the General Agreement, should make a realistic assessment of what they possibly could expect to gain from, and how much effort they would have to invest in these negotiations. This assessment would depend on several factors including actual products and trade barriers which would be negotiated; the techniques and modalities to be adopted; such special provisions as necessary for the developing countries; and any required legal provisions to ensure the entitlement of developing countries, non-members of GATT, to derive benefits from the negotiations. In this context he quoted from paragraph 292 of the Rey Report which recommended that the trade negotiations should see an effective participation by the developing countries and should offer opportunities for these countries to request the developed countries to reduce or eliminate obstacles to imports of particular interest to them. Participation of developing countries should not bind them to observe strict reciprocity in the granting of concessions, and consideration should be given to the possibility of accelerating any step-by-step reduction of trade barriers for the developing countries.

Mr. Brillantes expressed his gratitude for the invitation to developing non-GATT countries, to which his Government had responded favourably and had in fact requested assistance from the GATT secretariat to supplement their own efforts in preparation for the negotiations.

In his opinion it was imperative for the CONTRACTING PARTIES to give greater precision to the objectives sought to be achieved by the multilateral trade negotiations and to the techniques and modalities to be used, taking into account the problems and interests of developing countries. In this connexion he drew attention to the declaration of the developing countries in UNCTAD Resolution 82(III)

His delegation supported the proposal regarding the setting up of a Preparatory Committee to organize and co-ordinate the work of the various committees in the preparatory work for these negotiations. The membership of the Committee should be open to all parties intending to participate in the multilateral trade negotiations. The Committee's objectives and terms of reference should be spelled out in clear terms so that it could adopt a time-bound programme of action.

In summary, he believed that the CONTRACTING PARTIES should decide that:

1. The objectives and guidelines should provide the developing countries with additional benefits; enable them to secure substantial and meaningful improvements in their position in international trade, commensurate with their economic and development needs, and be conducted on the basis of non-reciprocal, non-discriminatory and preferential treatment.
2. Prior to the actual negotiations, those countries which had not yet implemented their offers of preferential treatment in favour of developing countries, within the Generalized System of Preferences, should do so immediately; and those which had already implemented their offers should introduce improvements in a dynamic context, in particular on the coverage of products falling under Chapters 1-24 of the Brussels Tariff Nomenclature.
3. The developed countries individually or as members of an economic grouping, should make their initial offers of concessions to developing countries within a period of six months after the start of the negotiations, observing as a modality the principle of a fair division of effort based on more liberal policies instead of on the most restrictive positions. As in the case of the Generalized System of Preferences, these initial offers would be reviewed before the conclusion of the negotiations with a view to improving them. All concessions granted as between developed countries should automatically inure to the benefit of developing countries without reciprocity.
4. Objectives and guidelines should cover the scope and coverage of the negotiations, any legal provision as necessary in the interests of developing countries and participation in the negotiations and entitlement to the benefits arising therefrom of non-member countries.

Mr. BATISTA (Brazil) said that last year's monetary crisis had set the stage for a thorough re-examination of existing rules and practices both in the monetary and in the trade fields. It was in this context that the United States, the European Community and Japan took the initiative to propose, in the framework of GATT, multilateral and comprehensive trade negotiations. He stressed that this major reformulation of international trade rules and practices could not be conceived primarily in terms of solution of the problems affecting only trade among developed countries. The solution of the trade problems of developing countries must as well be a central objective in the proposed negotiations.

For years developing countries had sought recognition of the need for a new and more just international division of labour, under which their economic development could proceed at a faster pace and be increasingly linked to the growth of the world economy. The aims of developing countries had been the

expansion and diversification of exports, both in terms of products and of markets. However, their share in world trade had shrunk from 32 per cent of the total in 1950 to 21 per cent in 1960 and to only 17 per cent in 1970. In absolute terms, exports had risen from approximately 19 to 51 billion dollars; but these figures ignored the negative impact on developing countries of the erosion of the value of the dollar and, the deterioration of the terms of trade between developing and developed countries as reflected in the balance of payments of developing countries in terms of an increasing external debt. Developing countries were faced with ever greater problems of access to developed markets and to the markets of other developing countries. This was evidenced by the introduction by developed countries, contrary to GATT provisions, of the concept of "market disruption" and by the results of the Kennedy Round, which produced lower overall benefits for developing countries than for developed countries. Tariff escalation was a built-in element of discrimination against developing countries in the tariff structure of developed countries. The suggestions for a free-trade area in industrial products among developed countries would not only erase the value of the Generalized System of Preferences but might actually introduce new discriminatory elements against developing countries. Difficulties were also encountered in trade in commodities, through protectionist measures aimed at increasing exports and decreasing imports of primary products.

He emphasized the significance of the future multilateral trade negotiations. The removal or elimination of non-tariff barriers would entail the updating of many provisions of the General Agreement; safeguard clauses might well become a major element in regulating new flows of trade. The fundamental norms that had guided world trade over the past quarter-century might be refined and elaborated, and new norms established. Thus, developing countries insisted on having as one of the fundamental objectives the increasing participation of developing countries in world trade. Efforts aimed at a truly balanced expansion of world trade had to be based on the recognition of the trade potentialities of developing countries.

He expressed the hope that special techniques and modalities could be found to reflect the interests and needs of developing countries, both in terms of the negotiation of concrete concessions as well as in terms of the formulation of new rules of trade. The identification of such special techniques and modalities, which would enable developing countries - members and non-members of GATT - to take a decision on their participation in the multilateral trade negotiations, necessitated a broadening of the objectives as so far indicated. The present session offered an excellent opportunity for a restatement of the objectives of the negotiations in these broader terms as a consensus of the CONTRACTING PARTIES. One of the fundamental aims of the negotiations should be the expansion and diversification of exports of developing countries in accordance with their trade and development needs, and every effort should be made to ensure significant

benefits for developing countries. He was encouraged by a statement by the President of the United States of America saying that the proposed reforms should "bring about a new freedom of world trade, new equity in international economic conduct and effective solutions to the problems of the developing world".

His delegation did not seek in this session agreement on possible ways and means to achieve solution for trade problems of developing countries. That was a question to be referred to the preparatory stage of the negotiations. He merely sought assurance that the problems affecting trade between developed and developing nations would be given a central rôle in the negotiations, on the same footing with trade problems among developed countries, as only thus would the negotiations be truly world-wide and ensure a net gain for developing countries, through a substantial increase in the rate growth of trade between North and South.

Mr. PETRESCOU (Romania) said that Romania, like the other developing countries, had followed the preparations for the forthcoming multilateral trade negotiations with great interest. That was because it was aware of the part that new negotiations might play in expanding world trade as a whole and in creating more favourable conditions for the exports of all developing countries, in accordance with their development needs. What had to be done now was to take political decisions, and in the first place to define more clearly within the framework of GATT the objectives, principles and general scope of the negotiations, so that the direction and inherent possibilities of participation by the developing countries could be determined. On the one hand, the developing countries had stated that their decision on participation would depend on the objectives of the negotiation and on the conditions granted to them; on the other hand, they were asked to state what conditions they were asking for, so that they could be discussed before it was too late. They had already asked for non-reciprocity, non-discrimination, priority for the elimination of the obstacles which they encountered on the markets of the developed countries, compensation for possible losses, solutions that were appropriate to the position of the least advanced countries and participation in world trade on the basis of rules suited to their possibilities and to their development needs. To enable the developing countries to state their requirements more precisely, it was important to establish first of all what problems the negotiation was intended to solve. For if solutions were to be found only for the problems of the major trading nations, there was a danger that the share of the developing countries would be the same as it had been in the previous negotiations, since the aims and techniques of the negotiation would be adapted to the situation of the developed countries. If on the other hand the aim was to find equitable solutions for world trade as a whole and in so doing to take fully into account the specific requirements created by the level of development of the various countries, then the fundamental purpose of the negotiation should be not only to liberalize trade but to assure

to all developing countries in world markets the conditions they needed to overcome within a reasonable lapse of time the gap separating them from the economically developed countries. Acceptance of that principle should result in specific conditions. In the case of a genuine liberalization in agriculture - a sector of particular importance to the developing countries - or in the case of the elimination of tariff barriers against industrial products, suitable methods would have to be found for giving greater advantages to the exports of the developing countries. The existence of that situation justified the waiting attitude of the developing countries. Those countries realized that the solution of the problems of the developed countries might have a positive effect on their trade; but he would point out that the contrary was also true. Even so, the problems of the developing countries could not be solved simply by measures with an indirect effect, especially as some solutions could cancel out advantages which those countries at present enjoyed. He hoped that an option would be chosen during that session of the CONTRACTING PARTIES and that it would be the one of interest to all countries, including the developing countries, whether or not they were contracting parties to GATT.

The developing countries had made some preliminary suggestions on techniques and modalities in the various committees. His delegation considered that application of the "principal supplier" rule did not always make it possible to take the interests of the developing countries into account. Access by those countries to various markets was restricted owing to the fact that, in the case of certain products, they were new suppliers. The forthcoming negotiations would have to settle that basic problem; it might be solved by adapting the rule of the principal supplier in such a way as to enable the interests of newcomers to the markets of the developed countries to be taken into consideration.

His delegation wished once again to express its support for the proposal to set up a committee for preparation of the negotiations, open to all the countries concerned, whose task it would be to examine all the questions that had arisen, including the combination of negotiating techniques.

Mr. BOYESEN (Norway) supported the proposal for the setting up of a preparatory committee, in which individual countries and groups of countries could explain their starting point and establish their initial negotiating platforms. This was particularly important for the developing countries which should, individually and collectively, if they so desired, present their demands and explain their requirements. A preparatory committee would be the most useful forum for such a purpose.

It seemed to him that the establishment of such a committee did not require a formal decision on the part of the CONTRACTING PARTIES. It was not only the right, but rather the duty, of the Director-General, in consultation with the Chairman of the CONTRACTING PARTIES and the Chairman of the Council, to call together such a committee whenever they thought there was a consensus to do so. He expressed the hope that this would be done at an early date, though it was obvious to him that at this session not all the elements were available for such a mandate.

It should be clear that the purpose of the preparatory committee was to establish the initial negotiating positions, to bring together the initial programmes and to establish the necessary priorities. Such a group should be open for participation to all Members of GATT and to all developing countries intending to participate. The Committee should serve as an important stage in leading towards the successful conclusion of the negotiations and its level of representation should be in accordance with this objective.

As for the time element, he was greatly encouraged by statements made by the heads of governments of the enlarged Communities, where they indicated that by 1 July of next year they would have elaborated a concept of the whole.

In conclusion, he referred to the position of Norway, with respect to the application to the EEC and the results of the referendum. Norway had now asked for the negotiation of a Free Trade Agreement with the Communities and he hoped that such negotiation could be concluded satisfactorily. He underlined the point that he saw no contradiction between the establishment of a wide European market and the reduction of trade barriers on a world-wide basis. There were many reasons why the creation of the large European market made it more imperative to make global efforts to reduce or eliminate barriers to trade.

Mr. PATEL (India) believed that the atmosphere of the present session was less uncertain than the one that existed in 1971. However, the present trends were not encouraging, since 1971 had shown a deceleration in the rate of growth of world trade, which was particularly marked for developing countries. It was feared that the terms of trade of developing countries would further deteriorate during 1972 due to the stagnant prices of their exports and rising prices of their imports. Developing countries had also suffered from the monetary crisis. It was estimated that the purchasing power of their reserves had diminished by nearly US\$500 million as a result of the realignment of currencies in December 1971.

Important developments, such as the discussions for international monetary reform, the enlargement of the EEC, and the forthcoming multilateral trade negotiations would take place in 1973. Each of these developments would offer unique opportunities in favour of developing countries in fulfilment of the objectives of the International Development Strategy for the Second United Nations Development Decade.

Developing countries should have full participation in the decision-making process leading to the monetary reforms, and in the benefits resulting therefrom. He welcomed the establishment of the Group of Twenty in the International Monetary Fund and hoped that its co-ordination with GATT would be useful to developing countries.

Developing countries had been given assurances that the enlarged EEC would be outward-looking, would follow liberal trade policies, and would prove to be beneficial for the trade interests of developing countries. It was necessary now to give urgent attention to the problems that would arise for the trade of developing countries by the enlargement of the EEC and to the measures that would ensure a significant improvement in the conditions of access of their goods to the Common Market.

He recalled that the Kennedy Round had been of marginal benefit to developing countries, as their manufactures had been excluded and the marginal liberalization in the agricultural sector had not covered products of interest to them. Moreover, the initiatives taken by some developed countries in the field of textiles made one wonder if the negotiations would start only after the completion of agreements excluding, in effect, some products of major importance to developing countries for the liberalization exercises. The repeated resort by developed countries to safeguard and escape clause provisions when developing countries attempted to penetrate their markets was particularly disconcerting. Developed countries had already started bilateral, trilateral or multilateral discussions, leading to the establishment of levels of restraint and tariff quota arrangements which did not provide sufficient quotas for new suppliers from developing countries.

He reiterated that this session should define the aims and objectives of the future trade negotiations, focussing on the interests of developing countries. Without policy directives from the CONTRACTING PARTIES it was not possible to continue with the preparatory work. As indicated in UNCTAD Resolution 82(III), developing countries expected that the negotiations would provide them with additional benefits representing a substantial and meaningful improvement of their trading positions so that they could secure an increasing share in the growth of international trade. These objectives should be clearly recognized before the preparatory work defining the techniques and modalities for the negotiations proceeded any further.

India felt that all developing countries, including non-members of GATT, should be afforded the opportunity of full and effective participation in all stages of the negotiations.

Mr. JOLLES (Switzerland) said that the present session of the CONTRACTING PARTIES should not merely confirm the political option in favour of further multilateral negotiations but should also lay down the guidelines necessary for the active preparation of such negotiations. Many countries were concerned about the general economic context in which the negotiations would take place, particularly the phenomenon of inflation, which could disturb international economic relations and thus undermine the benefits expected to result from the elimination of trade barriers, and the monetary situation, which was not unconnected with the phenomenon of inflation. It was all-important, from the point of view of the future of trade relationships, that the efforts of governments to curb inflation and undertake monetary reform should be pursued with great vigour and achieve results; a return to a situation of general equilibrium was an essential basis for the future negotiations. It was from this angle that it was permissible to hope for fruitful trade negotiations within GATT; the negotiations could not in themselves suffice to restore equilibrium to the general economic situation, but they should ensure the continued and harmonious growth of world trade.

The immediate task was to examine the special responsibilities of the CONTRACTING PARTIES within their specific field; one of the essential needs was to draw the necessary inferences from the changes that had taken place in the balance of forces in international trade relationships. More especially, it was necessary to adjust these relationships so as to take account of the increased influence and responsibilities of certain important trading nations, to harmonize economic regionalism and the trend towards liberalization, in other words to achieve the necessary balance between those two movements, and to integrate the developing countries to a greater degree into international trade. Switzerland hoped that the negotiations which were to take place within GATT in 1973 would contribute to the achievement of these three major objectives, and it was prepared to take its full part in those negotiations.

The method laid down in the General Agreement, namely the elimination of trade barriers, offered the best hope for attaining these three objectives and controlling a novel situation. The first task was to decide upon the most promising methods of work in preparing for the negotiations. The suggestion had been made that, as regards trade in industrial products, the abolition of tariffs should be adopted as a working hypothesis. That method would be the one best calculated to bring to light the specific problems which would have to be solved in the actual negotiations. Indeed, the progress already made in tariff disarmament and the further progress contemplated had clearly brought out the

restrictive effects of non-tariff barriers on international trade and had provided an incentive to develop, within GATT, new and promising forms of co-operation, such as the preparation of a code on standards.

As regards trade in agricultural products, any realistic view must of necessity take account of the close relationship which had gradually become established between frontier measures and production measures. In that field, therefore, the multilateral trade negotiations should lead to the evolving of new forms of co-operation that would enable trade to develop within a healthier international agricultural market.

For the developing countries, export receipts were the main source of foreign exchange for financing their further progress. Consequently, the Swiss authorities thought it extremely important that the multilateral negotiations should enable those countries to participate more fully in international trade. The problem would probably not be an easy one to solve. In many cases, solutions would have to be sought through a combination of trade policy measures in the strict sense and measures of another kind, such as co-operation in trade promotion and in the search for other methods of gaining a footing in world markets. These methods would have to be adapted to a changing situation; they could prove effective without necessarily conflicting with a general trend towards liberalization.

In view of the diversity and complexity of the work to be accomplished, the Swiss delegation could not but support the suggestion for setting up a co-ordinating body through which the CONTRACTING PARTIES could keep the progress of this preparatory work under their supervision.

As regards safeguards, he noted that the discussions already under way had raised one fundamental problem - the problem of how to strike a balance between the elimination of trade barriers and the individual exemptions from such a collective action which might be permitted in certain exceptional circumstances. The Swiss delegation would give its preference to those solutions to the problem of the removal of tariff, non-tariff and other barriers that would not be liable to be upset by too frequent recourse to safeguard provisions. In other words, it would prefer to place its faith in stability in the conditions that should govern international trade: monetary stability, price stability and a stable trade framework.

Mr. SNIDVONGS (Thailand), stated that his Government had responded to the invitation addressed to his country with the strong intention to participate fully and actively in all stages of the negotiations, provided that the legal framework for the negotiations was constituted and that suitable ground rules, techniques and modalities were provided to lead to improved market access for the products of export interest to Thailand.

He noted that the scope and objectives of the negotiations had not yet been clearly defined and their purpose and aims seemed still to be too vague and insufficient. To ensure the full participation of developing countries, the fundamental aim of the negotiations should be to increase the rational international division of labour, to improve market access for the products of particular interest to developing countries at stable, equitable and remunerative prices, including the reduction and elimination of both tariff and non-tariff barriers. The products which required special attention in the negotiations and the trade barriers should, therefore, be identified. The negotiations should, moreover, strengthen the benefits which developing countries derived from the Generalized System of Preferences, and not erode them, and they should be conducted on the basis of non-reciprocity, non-discrimination and preferential treatment.

Mr. DENNIS (Sweden) pointed out that considerable work in preparation for the negotiations had been carried out in the past year, and that the main committees had now expressed the need for guidelines for their future work. As regards trade in industrial products, he recalled that the GATT had a long and impressive record of successful tariff negotiations. Several different ways of trying to reduce tariff levels could be indicated and, with the abundance of data available, the CONTRACTING PARTIES could set their goals high. Sweden also attached considerable importance to the elimination of non-tariff measures. To ensure that tariff reductions would not be nullified through the introduction or tightening of barriers of a different nature, work in the field of non-tariff measures would have to be intensified.

His delegation also believed it essential that the forthcoming negotiations bring progress in agriculture. Among the questions that should be examined in this field were the need to lower the self-sufficiency ratios in countries with high-cost production. Comparative cost advantages must be allowed to influence to a greater extent production of agricultural goods.

Several representatives of developing countries considered the lack of definition of scope and objectives of the negotiations to be a major problem. These were elements that by necessity involved uncertainty. In his view, the objectives for developing countries could generally be stated as the maximum reduction of barriers to trade with the aim of facilitating access to markets for products originating in developing countries in order to accelerate their economic growth. To secure the interests of developing countries, special techniques should be adopted to ensure that the end results involved positive action on products of special interest to developing countries; the techniques used should take account of the limited negotiating power of developing countries; in the field of commodities, measures would have to aim at increasing the markets for exports from developing countries and at ensuring an increased and more stable flow of income from commodity exports; and there should be continued effective secretariat assistance, with close co-operation between the GATT and UNCTAD secretariats, in order to secure effective participation by all developing countries. Although it was premature to discuss specific solutions for developing countries in the negotiations, he felt that certain ideas such as advance implementation, technical assistance in the case of certain non-tariff barriers and increased trade promotion assistance might prove useful. Furthermore, it was clear that developed countries could not expect reciprocity from developing countries for concessions made in the negotiations.

In his opinion, the problems concerning trade in industrial products, agriculture, the elaboration of a system of safeguards, and the participation of developing countries should all be dealt with together. Sweden therefore supported the suggestion for the establishment of a preparatory committee. As the Committee would have to provide the necessary policy guidance to the preparations for the negotiations, participation by trade policy representatives at the appropriate level was called for.

Mr. HILLEL (Israel) said that his country recognized the major importance of the multilateral trade negotiations. The lack of progress in the removal of trade barriers made it essential that the forthcoming negotiations improve the present extremely unsatisfactory situation in international trade. He considered that the substantial changes taking place in international economic relationships required a new creative approach. His delegation believed that GATT had an important rôle to play in the setting-up of an improved system which would avoid distortions of trade flows and would encourage co-operation in the economic relations of States. The multilateral negotiations could provide an excellent opportunity to further remove obstacles to trade.

GATT had a basic responsibility for trade in its developmental concept and the objective for the future negotiations must not be confined to trade liberalization but should comprise expansion of trade among equals, thus providing equal opportunities for all States.

A basic objective and focal point of the negotiations had to be to increase the export earnings of the developing countries. As tariffs would tend to play in the future a less important rôle preferences did not seem to provide the definitive answer to the trade problems of many of the developing countries. This underlined the importance of dealing with all barriers which affected their trade.

Israel believed that, during the trade negotiations, developing countries should intensify their efforts for self-reliance and expand co-operation among themselves. An important, although modest, first step in this direction had already been taken, and the Protocol covering the results of the negotiations among developing countries should be implemented, with or without formal ratification, and accession of additional developing countries to it should be sought. In this context he expressed the opinion that the more advanced among the developing countries should contribute - according to their ability - to the trade expansion of least developed countries by granting non-reciprocal or partially reciprocal concessions to them. Such an act would undoubtedly give impetus to a further fruitful co-operation among developing countries.

Israel very much supported the initiatives of the United States, the European Economic Community and Japan to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT, with a view to the expansion and liberalization of world trade. At the same time, Israel supported the position taken recently by the European Economic Community regarding its global approach to the Mediterranean countries, in the light of the special trade problems of this area, of which Israel was an integral part.

The comprehensive approach to the negotiations was essential. His delegation noted the very impressive preparatory work accomplished in all sectors which now permitted identification of the main issues and selection of appropriate techniques for the future negotiations. Israel endorsed the suggestion that a preparatory committee for the negotiations be established. In Israel's notification to the GATT regarding its participation in the future trade negotiations, it had indicated its assumption that special techniques would govern the participation of developing countries. Israel intended to take advantage of these special techniques and the objectives related to developing countries and to participate accordingly in the preparatory work and in the ensuing multilateral negotiations.

Mr. LAI (Malaysia) recalled that at the March meeting of the Council all major developed trading countries had welcomed the joint Japan/United States and United States/EEC declarations regarding future multilateral trade negotiations. The developing countries had adopted a more cautious attitude, asking for more information and time to determine what benefits they could accrue from participation in the negotiations. Their position had been entirely justified even though it was stated in the declarations that special attention would be given to the interests of developing countries. This position had undoubtedly disappointed some developed countries.

By now, however, the developing countries had had some time to reflect, and there seemed to be cause for optimism as the statements made by the representatives of developed countries during the session had indicated concern for the special interests of developing countries. However, previous experience had shown that the results of the considerable work in GATT in regard to the problems of developing countries had been meagre. Some earlier speakers had referred to the Programme of Action adopted by the CONTRACTING PARTIES a decade earlier. He recalled that none of the objectives of this Programme had been met. For example, the Programme provided that no new tariff or non-tariff barriers would be erected against the exports of the developing countries; that quantitative restrictions against developing country products would be eliminated by May 1964; that there would be duty-free entry for tropical products in the markets of developed countries by January 1964; that customs duties would be eliminated on primary products exported by developing countries and reduced by at least 50 per cent on non-primary products by May 1966; and that internal charges and revenue duties on products mainly exported by developing countries were to be removed by January 1966. The results of the Kennedy Round which had followed the Action Programme were well known as far as developing countries were concerned. The same mistakes would have to be avoided in the future and there would be no excuse for the interests of developing countries to be neglected in the future multilateral negotiations which should be used to repair the neglect developing countries previously had suffered.

In his view, no representative of a developing country would share the satisfaction expressed earlier by one speaker at the expansion of world trade over recent years, as over the past decade the share of developing countries in world trade, not to mention the terms of trade, had declined and would continue to do so unless positive action were taken to stop the trend. Trade liberalization alone should not be the objective of the negotiations as in some cases this might even lead to an acceleration of this trend. More positive steps were necessary. The trade interests of the developing countries would have to be put on an equal footing with those of the developed countries in the negotiations. To this end, the CONTRACTING PARTIES should take a decision stating firmly that

one aim of the trade negotiations would be to further the establishment of conditions that would lead to a significant increase and diversification of the export earnings of the developing countries. Once this objective had been stated in an unambiguous manner the techniques and modalities could be worked out more easily.

With regard to the working out of guidelines for the Committees and a framework for the negotiations, he requested assurances that this process would take place in the GATT and not elsewhere. The developing countries did not wish to be presented with a fait accompli arrived at without their having had a chance to express their interests. His delegation supported the proposal for the establishment of a Preparatory Committee as it would present the ideal forum for consultations between developed and developing countries and would be consistent with proposals for the integration and co-ordination of the work of the other GATT committees.

He explained that the Generalized System of Preferences was one of the interests common to all developing countries. It had taken long to conceive and produce the scheme but, it seemed, would take only half the time to be destroyed. The multilateral negotiations would erode the Generalized System of Preferences and in fact this erosion had already begun with the recent agreements between the EEC and EFTA countries.

He stated that the enlargement of the EEC would almost certainly have a detrimental effect on the exports of Malaysia in the absence of safeguards, and he sought an assurance from the Communities that this would not be the case. He agreed that much work had to be done and hoped that with the assistance from the secretariat an identification of the precise interests of the developing countries could soon be drawn up. It was important now to reach an agreement that priority attention would be given to all exports from developing countries, this should certainly include tropical products.

His delegation supported the participation of developing countries not contracting parties in the negotiations if they choose to participate.

He stated that, there was no doubt as to the validity of the principles of non-reciprocity and preferential treatment and their acceptance in the General Agreement. He urged the CONTRACTING PARTIES to take the decisions on the ground rules of the negotiations so that his country would be able to decide upon its participation.

The meeting adjourned at 13.00 hours.