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GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Twenty-Ninth Session

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SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 14 November 1973, at 4 p.m.

Chairman: Mr. B.R. PATEL (India)

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1. Twenty-five years of GATT

Mr. KITAHARA (Japan) associated himself with the Chairman's assessment of the rôle of GATT in world trade. He emphasized that Japan could not live without trade, and that trade should be with all the nations of the world, and not with any particular bloc of countries. It was obvious that it was especially important for countries such as Japan that the GATT should continue to play a central rôle in international trade co-operation and this explained why Japan had taken such an active interest in all activities of the GATT since its accession in 1955. It was therefore a great pleasure for Japan to act as the host country for the fifteenth session of the CONTRACTING PARTIES in 1959, and for the recent Ministerial Meeting held in Tokyo.

As GATT stood now on the threshold of its second quarter century of existence, it was appropriate to discuss its future in the light of the complexity of and the rapidity of change in the world environment. This was not easy because economies had become so interdependent that it was almost impossible to draw the line between national problems and international problems. He first noted the need for continuously reviewing the rules and procedures of the GATT in view of changing circumstances. He was convinced, however, that the principle of expanding world trade on a free and non-discriminatory basis should continue to be the cornerstone of GATT. Free and fair competition could best achieve the efficient use of world resources.

Secondly, it was not so much the rules, but the political will of nations to co-operate in the observance of those rules, that was important. He hoped that the Trade Negotiations would succeed in re-establishing a viable framework for trade co-operation. That in itself would be a major achievement equal in significance to any specific agreements concerning reduction of various trade barriers.

Lastly, he believed that the GATT owed much of its success to its lack of a large and complicated establishment. As a result of wisdom on the part of contracting parties the GATT had been able to operate pragmatically and effectively over the years. He hoped that this could be continued.

Mr. LAI (Malaysia) said that he was encouraged by the fact that today there was a better appreciation of the trade problems of the developing countries and a greater desire to solve them. The GATT should be, as indeed it was, an organization as much for the poor countries as for the rich. International trade policy was not the exclusive concern of developed countries; it was the smaller and poorer countries that were more anxious about their export earnings.

Looking to the future, he said that recent developments, particularly in the international monetary system, raised questions as to the chances of GATT's survival; this would depend on a number of things. The most important of these, in his view - and it was certainly within the control and responsibility of GATT - was the flexibility with which the organization could adapt to changing circumstances. In this connexion he mentioned two points. First, the seriousness with which the trade problems of the developing countries were tackled. The record here was not impressive. At the Ministerial Conference it was seen that the developing countries were no longer prepared to stand on the sideline; they could not afford to do so. Happily, the developed countries had come to accept that the trade problems of the developing countries must be given special attention and more favourable treatment. Second, the rules of GATT had been drawn up essentially for tariff negotiations. The question here was the extent to which procedural and possibly even legal obstacles could be overcome in the search for ways to remove non-tariff barriers. On these two points the Tokyo Round of Negotiations would put GATT to a test which must be passed.

Mr. BENEDIKTSSON (Iceland), speaking on behalf of the four Nordic countries, Finland, Iceland, Norway and Sweden, recalled the reasons for the creation of GATT, its basic principles and the effects of GATT on the conduct of international trade.

In referring to specific developments he stated that as a result of the tariff reductions in successive rounds of tariff negotiations the tariff average for industrial goods was less than 10 per cent in the industrial countries and practically the whole range of industrial tariffs in developed countries was bound against increase. This offered a stable and predictable framework for trade and

an excellent basis for further trade expansion. The problem of non-tariff barriers now attained new and greater significance since the reduction in tariffs had led to an increase in the relative importance of such barriers. In the agricultural sector a special inventory of non-tariff barriers had been assembled and the Committee on Agriculture had been considering various possible solutions to the overall problem of agricultural trade. In recent years, some Eastern European countries, which had long-standing commercial links with contracting parties, had become increasingly interested in developing their trade through the mechanism of GATT. Socialist countries such as Yugoslavia, Poland, Romania and Hungary had become full contracting parties to the General Agreement, a development which was welcomed by the four Nordic delegations.

The GATT had to adapt itself continuously to the changing patterns of international trading relations and the most significant decision in this respect was the addition of Part IV. This was a sign of continuously increasing attention within GATT to the special problems of the developing countries. The Tokyo Declaration was the latest indication of GATT's commitment to tackle seriously the trade problems of the developing countries.

It was clear that in order to play its full rôle in the future, the GATT should continue to adapt itself to new trends and developments in the field of world trade and it was evident from the Tokyo Declaration that the CONTRACTING PARTIES had in fact decided to respond favourably to the challenges and opportunities which lay ahead.

Mr. TOMIC (Yugoslavia) said that in taking stock of twenty-five years of activities in international trade, it was quite appropriate to make an assessment of what GATT had achieved and what it had failed to do over the years. Within this period, international trade had increased tremendously in absolute figures, but on many occasions there had been reason to complain about the share of developing countries in this increase.

Many factors had influenced international trade but without the General Agreement the picture of world trade performance would certainly have been different from the present one. Particularly in periods of instability, minimum rules of conduct were necessary for orderly development and expansion of international trade; hence the increasing importance of GATT as reflected by the growing number of accessions to the General Agreement and by the impressive number of countries which attended the Tokyo meeting. The increasing amount of work performed by the Council, committees and other bodies within the GATT also bore witness to this.

The idea of international solidarity was confirmed by efforts of the international community to work out additional rules and principles and to adapt existing ones, where necessary, to new requirements. This was also true for the General Agreement and it was therefore imperative that such efforts be made in the seventh round of negotiations, particularly, to meet the expectations of the developing countries. In the Tokyo Declaration, many promising objectives and principles in their favour had been accepted, and he hoped that the developing countries would not be disappointed.

International solidarity also required multilateralism and liberalization of international trade. Negotiations in all fields should be really multinational and not limited to the large trading partners. Multilateralism and liberalization had not always been the rule in the international community and was not always the rule even in the GATT. In this connexion the situation of agricultural products should be borne in mind. Recently, also in the textiles negotiations, bilateralism had been held to be trade creative, and the rules of GATT were perhaps to be excepted for this sector, a development in which developing countries had serious interests. Noting this increasing tendency to eliminate GATT rules in important sectors, he hoped that in the future liberalization and multilateralism would prevail so as to expand trade, raise standards of living, create full employment and a steady growth of real income for all peoples. The multilateral trade negotiations would be an important test for the future and for the position of developing countries in those negotiations.

Mr. DUNKEL (Switzerland) said that an anniversary was quite naturally an occasion for calling the past to mind - particularly if that past was a brilliant one - and for outlining future prospects. The twenty-fifth anniversary of GATT was a significant occasion; generally, however, twenty-five was the age not for looking back but rather for looking only toward the future. That did not mean that the life of GATT so far had been without merit and that it did not have its own history: when it had come into being at Havana, the authors of the General Agreement cherished great ambitions for it, and hoped to make it something useful for society. At a difficult time, they had had the courage to hope that it could contribute to shaping a better future. They had therefore written into the General Agreement many lofty principles and sound rules of conduct. They had established the GATT at Geneva and had furthermore given it several opportunities to add to its experience by holding meetings not only in Europe but also in Latin America and, even twice, in Asia.

Switzerland, which was honoured to have the GATT among its guests, was particularly well placed to see to what extent that apprenticeship had been useful and fruitful, in brief to appreciate the progress of GATT.

The GATT had always passed its examinations, the last of which was in 1967; while it might have shown some weakness in certain subjects, it had been brilliant in others, and since the last performance seemed to have made good resolutions and to be cherishing increasingly broad ambitions.

Twenty-five was the age at which one could begin to expect fulfilment of youthful promise. That promise was set forth in the Tokyo Declaration. The best that one could wish for the GATT, therefore, was that it might fully succeed in pursuing the path that it had traced for itself; to that end it would need the full and complete support of every contracting party.

Mr. MARTINS (Austria) stressed his Government's appreciation of GATT as an efficient instrument of international co-operation and the flexible nature of GATT's arrangements. Within the framework of its rules it had proved to be helpful to all countries. GATT had obtained a variety of membership which included countries at different stages of development and with differing social and economic systems. He confirmed that Austria was looking forward to the forthcoming activities of the GATT and intended to co-operate fully in this work.

Mr. JODKO (Poland) said that the future and effectiveness of the General Agreement would depend on the willingness and ability of all members to resolve the problems of international trade, taking account, inter alia, of the growing importance of socialist countries in the world economy.

One important and urgent task which GATT would have to fulfil in adjusting to modern realities would be the general application of the most-favoured-nation treatment. Solution of this problem would substantially determine the scope of GATT's future position in international trade relations. The new round of trade negotiations might strengthen the rôle of the GATT as a wide forum for negotiations, consultations and better understanding of problems of mutual interests. In this connexion he expressed the concern of his Government with the problems that emerged in the Trade Negotiations Committee in spite of unanimously accepted guidelines at the Tokyo meeting. His Government attached great importance to the new round of multilateral negotiations and it hoped that the difficulties would be overcome in accordance with the spirit of the Tokyo Declaration, taking due account of the interests of all countries. Underlining the special interest of Poland in getting negotiations started as soon as possible in the agricultural sector, he expressed the hope that the negotiations would lead to further liberalization of world trade and elimination of discriminatory practices.

2. Dates of the thirtieth session

The CHAIRMAN proposed that the next session be held within the period of 11-22 November 1974. This suggestion was made on the understanding that the Council would be asked to fix the duration of the session and the actual dates in the course of next year.

The CONTRACTING PARTIES agreed to the dates of the thirtieth session as proposed by the Chairman with the understanding suggested.

3. Election of officers

On the recommendation of the Heads of Delegations the CONTRACTING PARTIES elected the following officers for the ensuing year:

Chairman of the CONTRACTING PARTIES

Mr. H. Kitchara (Japan)

Vice Chairmen of the CONTRACTING PARTIES

Mr. C. Alzamora Traverso (Peru)

Mr. W.H. Barton (Canada)

Mr. J. Engone (Gabon)

Chairman of the Council of Representatives

Mr. P.S. Lai (Malaysia)

Chairman of the Committee on Trade and Development

Mr. P. Tomic (Yugoslavia)

4. Closure of session

Mr. NAIK (Pakistan) addressed the outgoing Chairman on behalf of the Asian contracting parties and conveyed to him his deep appreciation for the very competent and highly successful way in which he had guided the CONTRACTING PARTIES during the past year.

The CHAIRMAN in his closing remarks said that the CONTRACTING PARTIES had taken a long-term look at the evolution of their work over the past twenty-five years and had also taken particular note of their activities in the field of trade and development. Delegations had abstained from going too deeply into the substance of some problems in the knowledge that machinery had already been set up in the framework of the multilateral trade negotiations and in the confidence that solutions would be found in the work toward the successful conclusion of the negotiations.

He said that on a number of occasions apprehensions had been expressed about the derogation of the most-favoured-nation principle, on which the whole structure of GATT was supposed to be based. He believed that the most-favoured-nation principle was not the basis of GATT, but that it was the expression of the real spirit of GATT, which was equity. GATT was an agreement among governments who wished to regularize the growth of international trade and to ensure equity. The most important manner in which this could be achieved was that all contracting parties accepted the most-favoured-nation principle and it was on this account that the very first Article enunciated this principle. However, equity did not mean equality of benefits and responsibilities in all circumstances and for all time. This had been clearly recognized by the CONTRACTING PARTIES themselves, and he recalled that a major exception from the rigidity of the most-favoured-nation principle had taken place when the CONTRACTING PARTIES agreed to the system of non-reciprocal generalized preferences in favour of developing countries. This was a technical derogation of Article I, but if Article I was looked upon as an expression of the real spirit of GATT which was equity, then it was not a derogation but an extension necessitated by requirements of equitable growth of international trade of countries with dissimilar capabilities. A similar concept underlined the special treatment for the least developed among developing countries.

He felt that it was essential to make a distinction between the spirit and letter of non-discrimination. Equal treatment to the developed and the developing would not be equitable, but it would be discriminatory in substance, though not in form.

He recalled that developing countries had attempted to include in the Tokyo Declaration a provision to the effect that they would receive preferential treatment in all areas of negotiations where this was feasible. However, this attempt had failed because of the apprehension that this phrase would mean a direct derogation of Article I. The actual language used by the Ministers and the objectives which had been accepted in the Declaration could not, however, be implemented without such preferential treatment for developing countries. He believed that the

sanctity of Article I was not impeached, and indeed the spirit of Article I was strengthened when departures and not derogations were made from it in a worthy cause by general consent. Whenever substantial gains could accrue to the less-developed contracting parties at no significant cost to the advanced industrialized partners, the concept of preservation of most-favoured-nation principle should not stand in the way.

When the Common Market was being formed, contracting parties had agreed to lay aside legal quibblings based on Article XXIV and had decided to look at the picture in terms of overall objectives of GATT. He suggested therefore that they did the same during the multilateral trade negotiations in the context of the Second Development Decade.

Mr. KITAHARA (Japan) expressed his thanks for his election and stated his deep appreciation to Mr. Patel for the manner in which he had fulfilled his duties as Chairman throughout the past year. As regards his duties as Chairman of the CONTRACTING PARTIES during the next year he stood ready to assist the Director-General, in his capacity as Chairman of the Trade Negotiations Committee, in the intensive preparatory work and, hopefully, effective negotiations. While the normal day-to-day business of the GATT and the work relating to the expansion of trade of developing countries would fall under the responsibility of the new Chairman of the Council and the new Chairman of the Committee on Trade and Development respectively, he himself would be available, supported by the three Vice Chairmen, to assist in the field of GATT's external relations with other international organizations. His hope was that, as Chairman of the CONTRACTING PARTIES, he could make a modest contribution to the causes for which GATT stood.

The session closed at 5 p.m.