

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE SECOND MEETING

Held in the Palais des Nations, Geneva,  
on Tuesday, 29 November 1977, at 3.45 p.m.

Chairman: Mr. G. ALVARES MACIEL (Brazil)

Subject discussed: Activities of GATT

Mr. LEO (Korea) drew attention to recent indications that the pace of world economic recovery was beginning to slow down. Many contracting parties suffered from inflation and unemployment. He said that, among all countries, the oil-importing developing countries were hardest hit and faced aggravating current account deficits. He urged the rich nations not to consider only their own short-term national interests without regard for the long-range consequences for developing countries. One of the major issues before the GATT was the tendency of growing protectionism in international trade. This tendency could cause profound damage to the world trading system and to the general relations in the international community. He pointed out that most protective measures taken by developed countries were directed at the products exported by developing countries. Therefore, the immediate task of the GATT should be directed towards containing the protectionist measures by enforcing its present provisions more effectively or by setting up new mechanisms. Furthermore, all contracting parties should commit themselves to observe and pursue the spirit and letter of the General Agreement.

He stressed that the MIN should be expedited so as to provide a real momentum for trade liberalization and to guarantee additional benefits for developing countries in compliance with the provisions of the Tokyo Declaration. He had noted that the attitudes of many developed countries in various negotiating groups seemed to deviate from the Declaration. He expressed the hope that this session would provide a turning point for the MIN.

Finally, he said that the provisions of Part IV of the General Agreement had not been satisfactorily implemented. No substantial result had so far been achieved on the question of differential and more favourable treatment for developing countries. In many instances developed countries had taken restrictive actions solely aimed at the developing countries in total disregard of the provisions of Part IV. He urged the developed contracting parties to adhere strictly to the provisions of Part IV.

In conclusion he expressed the hope that the GATT system, which had effectively tackled many and varied difficulties for the last thirty years, would continue to play a viable and responsive rôle in international trade.

Mr. BARRACLOUGH (United States) said that when the GATT was created policy makers were very conscious of the disastrous consequences of the intensive economic nationalism of the 1930's. They had drawn the conclusion that, especially in trade policy, widespread confidence in international co-operation was vital. He noted that thirty years later confidence in international co-operation was again vitally important because the deep economic recession, high unemployment, stagnating output, balance-of-payments difficulties and sectoral problems had led to a revival of economic nationalism. In such circumstances protectionism had an unquestioned appeal to many domestic political interests and governments could not ignore the problems experienced by their domestic sectors. But nothing would more seriously aggravate the economic difficulties giving rise to protectionism than a restriction of world trade and a weakening of the international framework for co-operation. The industrial countries had largely adhered to their shared commitment to avoid trade restrictions. There was, however, at present a growing uncertainty over what was structural or what was cyclical and a notable reluctance to trust to international procedures a resolution of trade problems. Most economies were experiencing the effects of competition from imports and the attendant adjustment problems at the same time and, in many cases, in the same commodity sectors. It was, therefore, important to make the necessary adjustments to fair competition and in doing so follow policies which would take into account the interests of other countries, and the need to develop an increasingly open international trading system. Restrictions on trade designed to maintain or increase employment in the face of fair import competition would lead to decreases in employment over the longer term. Protectionist solutions to trade problems in one country would risk the adoption of similar solutions in others to the detriment of all.

He said that in order not to move backward into protectionist policies the highest priority must be given to the successful conclusion of the multilateral trade negotiations with the goal of significant reductions, and in certain cases elimination, of both tariff and non-tariff barriers to trade. Progress was needed towards freer trade in agriculture as well as in industrial products and towards improved general rules governing safeguard measures, subsidies and countervailing

duties, government procurement and the establishment of product standards. Full account should be taken in the negotiations of the need of the developing countries to earn the foreign exchange to finance their development through improved opportunities for their exports. He stressed that their fuller participation in the trading system was needed not only to reflect their development needs but also to ensure that the disciplines of the GATT were available to them.

He urged all governments to develop maximum offers on products and to work toward general rules focused on maximum liberalization. In this, he included the developing countries, since the economic effects of significant liberalization would lead them to conclude that this would advance their economic development rather than hamper it.

In emphasizing that all countries would benefit from a more open trading system, he pointed out that the stronger economies had a special responsibility to help move the world economy through the difficult period of adjustment. The strongest economies should accept the responsibility of absorbing the largest part of the adjustment process. Unless they accepted this responsibility, the more fragile economies would have to bear burdens which would overwhelm them.

He said that the contracting parties should also begin to look beyond the MTN and should prepare for the important rôle that GATT should play in maintaining an open trading system in an increasingly complex world. He referred to the study on "Trade Liberalization, Protectionism and Interdependence", which he believed could serve as a useful reference point for the deliberations on this subject. The multilateral trade negotiations were likely to add new responsibilities to the GATT. The contracting parties should, therefore, improve the GATT's capabilities as an organization for meeting the problems of the 1980's. He encouraged the secretariat to focus its attention on how this might be achieved.

Mr. BARTHEL-ROSA (Brazil) expressed the growing preoccupation of the Brazilian Government with the proliferation of protectionist measures and with the sometimes veiled and sometimes open threat of future measures to come. He said what had seemed to be isolated problems a short while ago, now appeared to be fitting into a pattern that could soon catch world trade in a web of protectionist measures and that could choke national economies, most particularly those of developing countries. He pointed out the impact which protectionist tendencies would have on the basic objectives of the MTN, and in particular on the possibility of ensuring additional benefits to the trade of developing countries, which, if not attained, would impair their ability to contribute significantly to the negotiations. He felt that such tendencies would also seriously damage the credibility of GATT as a forum to promote the liberalization of world trade, as well as the effectiveness of its rules in protecting the legitimate interests of developing countries.

He noted with distress that major industrialized nations had frequently found it easier to impose restrictive measures on those exports in which developing countries had become highly competitive, and which represented the most dynamic source of foreign exchange to sustain their development efforts, as was the case with textiles and footwear. If this was to persist, developing countries would be obliged to maintain measures to protect their balance-of-payments situation, or introduce such measures, with a consequent impact on their capability of importing from their developed trading partners, and on their own prospects of economic development. Such a situation would not only hurt the developing countries themselves, but their industrialized partners also. Urgent action was, therefore, needed at the national and the international levels. At the national level it was necessary for governments in industrialized nations to start comprehensive adjustment assistance programmes, not solely aimed at helping to maintain inefficient industries, but to adjust entire industrial sectors which were no longer competitive against newer industries in developing countries with lower cost production and more efficient export capabilities. At the international level, it was not only sufficient to redouble the efforts in the Tokyo Round negotiations; it was also necessary for governments, at a high level, to vigorously reaffirm their commitments to a standstill on the introduction of restrictive measures. Such a reaffirmation of past commitments, already taken at the highest levels, might well come from GATT.

Mr. YAVUZALP (Turkey) said that the economic difficulties during the last few years had brought again to the foreground protectionist tendencies which in some cases had reached disquieting proportions. However, it was a relief to his delegation that almost all governments had expressed the wish to resist this trend. GATT, as the appropriate organization, had played a positive and effective rôle in this field. Even though it was not possible so far to completely re-establish the situation, it appeared to him that the worst had been avoided. But the question remained how long the world economy could endure this situation of uncertainty. GATT should, therefore, play an even more determined rôle in putting an end to this uncertainty which created difficulties for all countries and most of all for the developing countries which were now unable to increase their export earnings. This was particularly of concern because the prices of the industrial goods imported by the developing countries for their development were increasing and so were the problems arising in connexion with the foreign debt service. All of these factors would slow down the growth of development in the developing countries which was to the detriment of the world trade as a whole.

Turning to the multilateral trade negotiations, his delegation had noticed a determination to speed up these negotiations. As the requests for certain sectors had been made at the beginning of November, his delegation was looking forward to January in order to know to what extent concrete results could be attained. He expressed the hope that all problems relating to the negotiations would be solved by the end of 1978 and that during the last stage the appropriate means would be found for special and preferential treatment in favour of developing countries.

In respect of the Generalized System of Preferences, he recalled that his delegation had made specific requests to certain industrialized countries and he expressed his delegation's satisfaction that these requests had been met. However, not all problems in respect of the schemes as far as Turkey was concerned had been solved completely and he hoped that in later bilateral consultations a solution to these problems could be found.

He said that Turkey, while not a member of the Group of Eighteen, had followed with interest the discussions of the Group and he noted that the work of the Group had confirmed the reasons for the Group's existence.

In turning to the Protocol Relating to Trade Negotiations Among Developing Countries, he said that his Government attached great importance to this kind of co-operation. His delegation had noticed with satisfaction that trade among the countries in the products covered by the Protocol had clearly increased. He stated that the expansion of the Protocol, in countries and products as well as in the scope of tariff concessions, would be in the interest of all countries participating in the Protocol.

Mr. TOMIC (Yugoslavia) said that the past year had shown an aggravation of conditions of access and of protectionist tendencies unknown since the 1973 recession. He recalled two very important events - the termination of the Paris Conference and the Downing Street Declaration. High hopes had been raised that the Paris Conference would bring results beneficial to international trade and that the declarations ensuing from both events would be implemented. He furthermore recalled the hopes regarding the speedy development of the multilateral trade negotiations. He pointed out that trade was only one part of general economic development and considered that the prospects for economic development were very gloomy and that forecasts for trade development were no better. This would lead to a further aggravation of conditions for the trade and economic development of developing countries, which once more called for speedy actions in their favour on a short and long-term basis.

He said that protectionism affecting the exports of developing countries was increasing under the growing pressures of various professional groups. He mentioned in this connexion particularly textiles. He stressed that developing countries had no interest in disrupting any market, but expected a fair deal, no discrimination and the proper implementation of internationally agreed rules. He emphasized that developing countries were ready to co-operate at any time, on any issue, and had given evidence of this on many occasions.

He stated further that the gloomy prospects for the next year required additional efforts to reduce the damaging impact of protectionism on trade by fostering international co-operation. He also stressed the need for taking effective measures in favour of developing countries, based on the implementation of the provisions of Part IV of the General Agreement.

Mr. KAARLEHTO (Finland), speaking on behalf of the delegations of Iceland, Norway, Sweden and Finland, said that liberalization of world trade in industrial products had reached a stage never before attained. However, restraints had appeared in the pace of economic development caused by the price development, especially in energy, and furthermore, some extremely competitive production capacities in some newly industrialized countries had emerged. It seemed to him that the problems in the international economic situation, and particularly in international trade, were of a structural character rather than mere reflections of a cyclical fluctuation. The world economy was in a process of adjusting the production structures in the industrialized countries to the dynamic industrial capacity of the newly industrialized countries. This was an important but difficult task, where particular attention had to be given to the special needs of developing countries. He stated that the GATT had a rôle of accrued importance in maintaining orderly conditions in world trade. Experience had, however, shown that some of these rules needed adaptation to meet present-day needs. Examples were, *inter alia*, the safeguard clause, which was of central importance for countries having relatively small markets and a special vulnerability to imports, and the rules concerning subsidies and countervailing duties.

He stated that an equally important aim was the restoring of growth trends in world trade. A first prerequisite for this was that governments recognized their responsibility in resisting calls for increased protection. Furthermore, an early and successful conclusion of the multilateral trade negotiations on a balanced and realistic basis was necessary. Although he recognized the decreasing relative significance of tariffs, early agreement on a tariff-cutting plan would have a favourable influence on the overall atmosphere and strengthen the case against protectionism. It was, therefore, in the interests of all to carry the trade talks to a successful conclusion and thereby, by implication, strengthen the General Agreement as a sound basis for trade relations in the future.

Mr. PETRESCU (Romania) said that the CONTRACTING PARTIES faced two important problems, namely, on the one hand, the successful completion of the multilateral trade negotiations, and on the other hand, the problems of increased protectionism as had become apparent in the commercial policies of certain developed countries. On the one hand, the countries participating in the multilateral trade negotiations had succeeded in reaching agreement on procedures and a timetable in the fields of agriculture and non-tariff barriers. On the other hand, certain developed countries had had recourse to restrictive measures, some of which were not justified from an economic point of view and not in conformity with the provisions of the General Agreement. Furthermore, he mentioned that certain contracting parties, instead of making real efforts to abolish the discriminatory import restrictions which they still maintained, had tried to legalize them by invoking non-economic considerations foreign to the spirit and the provisions of the GATT. He expressed his authorities grave concern at such developments.

He furthermore considered that the multilateral trade negotiations should rapidly move into the substantive negotiating phase so as to obtain solutions for all the important problems. He stressed, however, that the negotiations could not be successful unless the developing countries would benefit from more favourable differential treatment. Such treatment should be non-discriminatory and should be based on economic criteria and not on the special character of the social system of the developing countries. Another fundamental element for Romania's interest in the trade negotiations was that of trade in agricultural products. He noted that trade in agricultural products had become increasingly protectionist and he was of the view that without substantial progress in this field the negotiations would lose a large part of their significance. He said that the problems confronted by international trade were a challenge to the responsibility of all governments. The multilateral trade negotiations offered a most important occasion to improve the international trade relations and to place them on a stable basis. The CONTRACTING PARTIES should, therefore, reaffirm the political will to reach all the objectives of the Tokyo Declaration.

Mr. DUNKEL (Switzerland) said that since 1973 the governments of all countries had had to face difficulties which had increased the temptation to apply restrictive measures. On the whole, governments had been able to resist the first waves of protectionism in the years 1974-1975, which had been marked by a sharp recession in economic activity and serious balance-of-payments problems. However, for some time now, a new wave of protectionism had been threatening and this time it was essentially a matter of sectoral protectionism which was even more difficult to contain. He felt that the governments had two courses of action open to them which were complementary to each other. The first action would be immediate and practical and concerned the day-to-day conduct of the government's commercial policy, which related to the implementation of the General Agreement by the contracting parties.

This action consisted of a common and joint effort to resist the more and more pressing requests for protection. It consisted of preventing and, if necessary, condemning, restrictive measures which in their effect were disproportionate to the purpose pursued. He mentioned in this respect the measures applied by one of the most important trading partners in the very sensitive sector of textiles and he expressed the hope that these measures would soon be changed to measures of surveillance rather than of restriction.

In looking to the future he said that it was indispensable to work toward the conclusion of the multilateral trade negotiations which were the test of the will of governments to persevere in the efforts of liberalization. This task consisted of defining a firm programme of trade liberalization, of improving the rules of international trade in the light of recent experiences and future needs, and, in particular, in the light of the new economic map of the world. He referred in this connexion to the existence of regional groupings and the special demands of the commercial relations between the North and the South. A firm basis and a climate of confidence was necessary to maintain an open trade system which would guarantee a balanced expansion of the world economy and a sound international division of labour.

Mr. PREM KUMAR (India) said that since 1973 the average annual rate of growth of GNP of the non-oil exporting developing countries had considerably declined. To sustain a modest growth rate, the non-oil exporting developing countries had to rely on external financing, which entailed a rapid rise in debt servicing and increased their dependence on rapid expansion of exports. While the prices of most commodities had declined, the prices of manufactures had continued to rise, thus adversely affecting the terms of trade of developing countries.

He mentioned that India had taken a series of stringent anti-inflationary fiscal and administrative measures to limit the consumption of oil products and to keep imports of even essential commodities to a bare minimum. India's average rate of growth of GNP had been around 3.5 per cent, which was inadequate considering the rate of population growth of about 2 per cent. A substantial liberalization of imports had been undertaken in 1976-77, to meet the requirements of industry for its inputs to increase industrial production, and to stabilize the prices of mass consumer products. Further liberalizations were being effected in 1977-78. He said that his Government had recently launched a new economic policy to encourage the decentralized sector of production, and generate incomes in the rural area. A number of fiscal and monetary measures were to follow. It was important, however, that these domestic efforts should be assisted through international action, and better access to markets particularly for the growth sectors. He stated that the recent developments had brought out the interdependence of economies, but with one significant difference that the economies of developing countries only reacted to the changes in the developed economies. He considered that at this critical juncture only concerted measures could help the developing countries and to some

extent soften the impact which the slow growth in world economy and inflation might have. The events of the last few years had furthermore clearly brought out the shifts in comparative advantage which had taken place. It was most disconcerting, therefore, to see the pressures for protective action being generated in the developed countries, particularly in the sectors where the shifts in such advantage had taken place.

His delegation welcomed the fact that the multilateral trade negotiations were entering into the active negotiating phase. Although the present trend of protectionism did not provide the most propitious condition for an exercise in global trade liberalization, he expressed the hope that the multilateral trade negotiations would be seen as a more effective and durable cure for the ills besetting the world economy. The negotiations, therefore, represented a challenge for developed as well as developing countries. He stressed that developing countries would also wish to grasp this opportunity to both benefit as well as contribute according to their capacities. He emphasized that the developing countries could only fully participate if they were completely involved in the negotiations. He had some reason to believe that the negotiations on tariffs would be engaged without a prior multilateral consensus on objectives and modalities, and by implication, without commitment on the part of the developed partners to implement special measures in favour of developing countries. He felt that the outlook for developing countries in the negotiations on agricultural products and non-tariff measures was equally uncertain. In conclusion he recommended that the contracting parties should rededicate themselves to the objectives of the Tokyo Declaration to liberalize world trade and to provide for developing countries an increased share in the world trade through differential measures and special procedures; the effective participation of developing countries in the multilateral trade negotiations should be ensured at all stages; the principle of standstill accepted in the OECD Declaration and at Nairobi should be strictly observed; instead of taking protective measures, the developed countries should launch organized adjustment assistance to facilitate factors of production moving out of sectors where the advantage lay in favour of developing countries; steps should be taken to improve commodity markets; and policies should be evolved to sustain the demand for goods of developing countries.

Mr. METAXAS (Greece) referred to the alarming situation of the world economy, the high rate of unemployment in all industrialized countries, the low rate of growth and the slowness of their economic recovery. He said that often the fight against inflation resulted in a disincentive to economic recovery. Durable growth and rising employment were dependent on monetary and price stability as well as on productive investments. This showed the need for the adoption of an appropriate policy in the field of investment and a regulation of demand in order to stimulate economic recovery and to get the world economy out of the recession which had

lasted for a few years already. The countries whose economies were in good health should increase their domestic demand without stimulating inflation. Inflation and the economic recession had had a considerable impact on the economies of the non-oil exporting developing countries which had experienced a deterioration in their balance-of-payments situation and an increase in their external debts. This situation was particularly characteristic of the countries of Southern Europe. He said that because of the high level of interdependence between the various economies, a solution to these problems could only be found within the existing frameworks of consultation and co-operation such as the GATT. The fight against inflation and unemployment should not lead to restrictive commercial policies, which would have very bad repercussions on the exports of developing countries. He believed that the rise of protectionism was the most important element in the present development of international economic relations. The liberalization of trade should, therefore, be preserved or even increased and restrictive trade measures should be avoided. His authorities had, therefore, welcomed the renewal of the "Trade Pledge" by the OECD, but this should be complemented by an active policy of liberalization.

Turning to the multilateral trade negotiations, he said that these negotiations were the appropriate way towards the elimination of trade barriers and towards an increased level of trade liberalization based on new rules to guarantee a harmonious long-term expansion of international trade. These negotiations should, therefore, be given a new impulse to reach an agreement in conformity with the Tokyo Declaration in all areas of the negotiations, taking into account the particular problems of the developing countries in order to establish between them and the developed countries better balanced and more equitable trade relations.

Mr. MACRIS (Cyprus) said that the unfavourable economic developments in the world, particularly the economic conditions in most industrialized countries and a combination of high inflation and high unemployment rates, had led to the adoption of protectionist policies which had their effect on the exports of commodities and manufactures from developing countries, such as Cyprus. He pointed out that Cyprus, although not actively participating in the multilateral trade negotiations, had followed with interest the progress made so far. He expressed the hope that the negotiations would be concluded soon and that their results would be a real improvement for the international framework of world trade and that they would be beneficial for the trade expansion of developing countries.

Turning to some aspects of the work of the CONTRACTING PARTIES, he welcomed the decision to confirm the existence of the Consultative Group of Eighteen and to take a decision on the future of the Group at the conclusion of the Tokyo Round. Furthermore, his delegation had duly noted the appeal made by Japan regarding the application of Article XXXV and he stated that the matter was under active consideration. He added that, despite a very adverse trade balance, his country did not maintain any discriminatory measures and did not actually apply the provisions of Article XXXV. The invocation had remained on record as a reminder of the wish to see more equitable trade relations developing between Cyprus and Japan.

Turning to the Protocol Relating to Trade Negotiations Among Developing Countries, his delegation had noted with satisfaction that work was being undertaken for the preparation of a new round of trade negotiations among interested developing countries covering tariffs and non-tariff barriers.

Mr. HLAVATY (Czechoslovakia) stated that, compared to a year ago, the difficult period for the economies of the majority of market economy countries still persisted and that it had led many of them to introduce new barriers to trade. He noted that there had been a growing tendency to apply specific restrictive measures of a discriminatory nature to the planned economy contracting parties, including Czechoslovakia. In addition to quantitative restrictions imposed unilaterally, Czechoslovakia had been also requested and sometimes pressed to introduce voluntary export restrictions or self-restraints. This development was alarming to his authorities because the introduction of these measures was based on unfounded and unjustified criticism of the economic and social system of Czechoslovakia.

He pointed out that the rate of growth of Czechoslovak exports to the developed western countries in 1976 had declined to 2.5 per cent from the average of 10 per cent registered in the preceding twenty years. On the other hand, the rate of growth of Czechoslovak imports from contracting parties had remained at the level of 12 per cent. He said that protectionist trade policy in the long run could produce only a reduction in the level of mutual trade. Bearing this in mind, Czechoslovakia continued, therefore, to support the open and non-discriminatory system of international trade. He said that a successful conclusion of the multilateral negotiations should lead to trade liberalization. He considered that a sizeable package brought in slowly would be preferable to a limited package. The objectives should be a substantial overall tariff cut, multilateral agreements in a number of non-tariff areas, including the elimination of discriminatory trade restrictions and assurances that trade practices were fair and would provide greater opportunities for developing countries to expand their trade.

He emphasized that one of the necessary conditions for achieving this task was that the existing GATT rules be respected and implemented. The GATT was basically a series of contractual obligations and rights and an instrument for handling trade problems which arose between contracting parties. However, during the past years the GATT provisions had not been respected and implemented by some countries or group of countries in their trade relations with other contracting parties, including Czechoslovakia. He mentioned in this connexion that the Government of the United States still did not apply the provisions of GATT with respect to Czechoslovakia in spite of the fact that both countries were founding members of GATT. In concluding, he stated that Czechoslovakia was ready to follow a policy of co-operation and mutual commitment, aimed at respecting and implementing the objectives, principles and rules of GATT.

Mr. NETTEL (Austria) said that it had to be recognized that the period of fast and substantial growth in production and international trade had - at least for the near future - come to an end. The last recession had not yet been overcome and many industrialized countries were encountering difficulties in their balance of trade and balance of payments; and their unemployment and inflation rates were still high. His delegation was fully aware that the situation in developing countries was still worse. As a result of this situation many countries had created new export incentives and discouraged imports, and the number and impact of temporary restrictions or safeguard measures had gone beyond the usual range of restrictions. This was causing growing concern in his country because Austria depended more on international trade than many other countries. Furthermore, the number of protectionist measures was an indication of the growing lack of political will or ability to adjust to present requirements. Moreover, a policy which had no regard for the interests of the trading partner would inevitably spill over to those countries which still resisted restrictive trade practices. He pointed out that the growing uncertainty about restrictive trade policy measures discouraged investment and thus acted against an improvement of the economic situation. These restrictive policies could lead to a chain reaction and prove to be disastrous to world trade. He believed that the GATT was a valid framework to counteract such developments and stressed that contracting parties should make better use of the procedures available to them. A further major step would be an early intensification of the Multilateral Trade Negotiations. These negotiations had now entered a more active stage and he expressed the hope that the major trading nations would recognize the responsibilities they had in this respect. Some of the rules of the General Agreement, such as the safeguard clause, and others, would need a certain adaptation or interpretation, so as to meet present requirements and allow for a better management of multilateral trade relations. Such new or modified rules together with the existing rules of GATT, should then be applied in a more effective way than had been done so far. He trusted that the better management of international trade relations would also improve the situation of developing countries.

Developing countries which were in the process of industrialization and therefore depended heavily on increasing exports, were particularly affected by the protectionist actions. The new rules currently under negotiation should provide a better framework for the conduct of trade of developing countries and safeguard more effectively their interests.

Mr. ADEWAKUN (Nigeria) said that the adoption of protectionist measures by some countries had damaged the economies of some of the weaker contracting parties and particularly of developing countries. The safeguard actions invoked did not take into consideration the difficulties of the developing countries exports and disregarded the fact that these countries needed export earnings to

pay for the industrial goods needed for development. He stressed therefore that developed countries when taking safeguard measures should take into consideration the special situation of developing countries. In this connexion he regretted that some contracting parties had not yet accepted Part IV.

Turning to the Multilateral Trade Negotiations, he felt that a slowdown in the negotiations could create the impression that the important trading countries were either unwilling or uncertain on how to proceed. However, such difficulties should not be used as a pretext to delay action in favour of developing countries. He said that the inflation in developed countries had been transferred through the higher costs of industrial products to the economies of the developing countries. In this connexion he considered that export inflation insurance schemes were beneficial as a means of arresting the increase of export prices of manufactured goods imported by developing countries. He expressed the view that the consultations under the simplified procedures provided the most convenient type of balance-of-payments examination for the developing countries. These consultations should, therefore, be accepted as a rule rather than as an exception. Nigeria's experience in trade liberalization as a member of customs unions and free-trade areas under the West African Economic Union and under the Lomé Convention had been a favourable one. He therefore expressed encouragement for other contracting parties which were in the process of establishing similar arrangements.

Mr. JAY (Canada) stated that international trade had as a whole been growing at a more satisfactory pace during the year, but its benefits had been uneven and economic recovery was slow. The world economy continued to experience strong inflationary pressures and very high rates of unemployment, a situation which was particularly difficult for the non-oil exporting developing countries. He felt, therefore, that it was not surprising that there was an increase in protectionist pressures on national governments. The General Agreement had been a bulwark for governments' resistance to these pressures. While safeguard action could be necessary from time to time, he emphasized that it should be in keeping with the spirit and letter of the General Agreement. He stressed that contracting parties should make imaginative use of the General Agreement, although it might not always respond directly to the needs of the situation, as recently experienced in a case of dispute settlement procedures. The GATT should continue to provide a flexible and effective set of rules for governing world trade. It was an essential framework for dealing with bilateral problems, for consultation and for the conciliation of disputes.

He stressed that it was necessary for the return of a healthy world economy to have broad and substantive results from the Multilateral Trade Negotiations. Canada was encouraged by the progress which had been realized in the negotiations in the past year. His authorities were mindful of the objectives of developing countries in these negotiations and continued to attach great importance to the spirit and intent of the Tokyo Declaration. The successful conclusion of the multilateral trade negotiations was essential to the further reduction of tariff and non-tariff barriers to trade and to the stimulation of economic development of developed as well as developing contracting parties over the next decade.

The meeting adjourned at 6.15 p.m.