

GENERAL AGREEMENT ON
TARIFFS AND TRADECONTRACTING PARTIES
Thirty-Third Session

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SUMMARY RECORD OF THE THIRD MEETINGHeld in the Palais des Nations, Geneva,
on Wednesday, 30 November 1977, at 10 a.m.

Chairman: Mr. G. ALVARES MACIEL (Brazil)

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1. Activities of GATT

Mr. FARNON (New Zealand) stated that slack demand and lack of domestic confidence in industrialized countries had led to increasing protectionism. Reference had been made in this connexion to the problems in the trade of such products as cars, steel and electrical equipment. He pointed out, however, that agricultural exporting countries, like New Zealand, were experiencing much greater difficulties through protectionist measures in the more industrialized countries. He stated that despite the imposition by his country of severe domestic restraints which had lowered incomes and raised unemployment, large balance-of-payments deficits persisted. He pointed out that there was a limit to the ability of a small country, like New Zealand, to continue resisting protectionist pressures in the face of constant restrictions on its exports and the increasing level of debt. The ability to import industrial goods was circumscribed by New Zealand's ability to export its agricultural products to the more industrialized countries. He suggested that a modest improvement and stabilization of levels of access for agricultural products should be continued not just with a halt to expanding protectionism, but with a reversal. In this context he stressed the need for rapid and substantial progress in the multilateral negotiations. New Zealand was prepared to play its full part in the MTN in contributing towards liberalization of trade if it could obtain benefits commensurate with its contribution.

He informed the CONTRACTING PARTIES that a Bill had been introduced into Parliament for the introduction of a new customs tariff, based on the CCCN. The new tariff would result in an overall lowering of duties for which credit was expected in the MTN. In the few cases where the new rates would affect GATT bindings New Zealand would as soon as possible seek authorization to enter into renegotiations on these bindings, so as to complete these negotiations before the new tariff would come into effect on 1 July 1978. He stressed that the overall impact was to reduce tariffs, which should be seen as a contribution to the liberalization of world trade.

Mr. YUNUS (Pakistan) stated that the increasing spread of protectionist policies seriously threatened the stability of the existing system of international trade. He praised the many expressions of determination to resist protectionist pressures, but noted that some industrialized countries had yielded to such pressures and adopted restrictive commercial policies. There was a serious danger that proliferation of restrictive measures might develop into protectionism all round. He believed that protection of weak industries rather than positive industrial adjustment measures was no healthy response to the problems posed by the current recession. Protectionism accentuated inflation, and was unfair to the domestic consumers. It put a premium on inefficiency and low productivity and distorted investment decisions and patterns of industrial growth.

Protectionist policies directly threatened the economic health and growth prospects of developing countries. By aggravating the balance-of-payments problems of these countries and reducing their capacity to finance imports these policies also indirectly hurt the interests of industrialized exporting countries. He was particularly alarmed by the trend to introduce selective restrictive policies against the exports of developing countries. Attempts to relate this concept of selectivity to cost and price differentials were completely unacceptable. Differentials in costs and prices were the basis of all trade and attempts to raise barriers against so-called "low-priced" exports of developing countries frustrated the development plans and prospects of these countries.

Protectionism was particularly evident in the field of international trade in textiles, a sector in which the balance of comparative advantage had shifted in favour of the developing countries. The Multifibre Arrangement had been designed as a temporary expedient so as to afford opportunity to the developed countries to restructure their industries. However, it appeared that many industrialized countries sought to perpetuate the barriers against trade in textiles from the so-called "low-cost suppliers". This posed a threat to the very foundations of GATT.

He expressed concern over the lack of progress in the MTN over the past four years, but noted with satisfaction the recent signs of a readiness on the part of the major participating countries to proceed. He expressed the hope that the negotiations in this final phase would be guided by the provisions of the Tokyo Declaration, in particular as regards the interests of the developing countries. He attached particular importance to the work of the Framework Group, which afforded an opportunity to transform the character of the GATT, both as a contract and as an institution, so as to make it responsive to the interests of the developing as well as the developed countries in a more equitable manner. He considered that an early meeting of the TNC was called for to give directions for accelerating the work with a view to concluding the MTN before the end of 1978.

He stated that his delegation had participated in the work of the Consultative Group of Eighteen, and he was convinced that the Group has justified its existence.

In conclusion, he expressed his hope that the CONTRACTING PARTIES reaffirm their faith in the principles of free trade as the essential vehicle for economic growth, optimum use of world resources, full employment and increasing prosperity of all trading nations as a whole. He urged that the CONTRACTING PARTIES commit themselves to firmly resisting the forces of protectionism; to rejecting all discriminatory restraints against exports of developing countries; to concluding the Multilateral Trade Negotiations with due regard to the pledges in the Tokyo Declaration; and to devising effective ways and means for helping the developing countries arrive at the stage of self-sustaining growth.

Mr. DUGIMONT (European Communities) stated that there were in the development of the economic situation in the Community both negative and positive aspects. The rate of growth of the economy was lower than in 1976 and unemployment had increased. The number of unemployed in the Community was now over six million. On the other hand, the balance-of-payments deficit of the Community had been reduced appreciably and furthermore in the field of price increases, the efforts of member States had yielded some success as compared with the increases in preceding years. The economic objective of the Community was a slowing down of inflation and improvement in the employment situation, so that the proportion of unemployed would be limited to 3 to 4 per cent and the rate of economic growth would be from 4 to 4.5 per cent.

He stated that the Community would continue its efforts to eliminate the dangers of protectionism. In spite of current difficulties which resulted from the international economic situation, the Community had been able to resist protectionist tendencies and to maintain a commercial policy as liberal as possible. In certain sectors where the situation was very serious the Community endeavoured through negotiations to seek mutually satisfactory solutions which would ensure an orderly and equitable development of trade.

He reaffirmed the value of GATT as an instrument for the liberalization of trade and in the fight against protectionist tendencies and recalled that the Community had proposed for reflexion the question of the definitive application of the General Agreement, which would be a proof of confidence in its future on the part of contracting parties. He recalled that the Community had already for some time, with the support of many contracting parties, denounced the danger of seeing certain disputes remaining unresolved. The Community remained convinced, however, that the GATT, in the framework of its current rules, procedures and practices, already provided instruments for the settlement of disputes which were adapted to the circumstances and efficient, as long as they were applied in the right manner and the parties had the real willingness to arrive at a satisfactory solution.

The Community participated actively in the multilateral negotiations in the hope that they would lead to a renewed stimulus to international trade. While bearing in mind the long-term objectives which would contribute to the framework of international trade in the next ten years, it was only realistic to adopt working hypotheses which would allow for a conclusion of the negotiations so as to benefit all partners without exception. For these reasons the Community considered the negotiations as a whole and would not approach any subject in isolation.

The Community was aware of its responsibilities with regard to developing countries, in particular the least developed. He mentioned that the Community had developed a co-operation with the member States of the Lomé Convention and with the Mediterranean countries. The Community participated actively in the various sectors of the negotiations, to ensure differentiated treatment in favour of developing countries. The activities of the Framework Group should lead towards the drawing up of a more satisfactory legal basis for such differentiated treatment.

Mr. HALL (Australia), in addressing himself to the trade problems and in particular to the problem of protectionism, stressed the danger of any growth of protectionism and the need for it to be contained. He mentioned in this connexion that the trading countries should apply the existing rules of GATT more effectively. He referred, in particular, to the growing use of trade restrictive measures in the field of agriculture and recognized with some reluctance that agricultural trade was all too frequently treated as a special case. He recalled that his delegation had submitted papers to the Consultative Group of Eighteen to focus attention on the special problems confronting agricultural trade. He stressed, however, that the problems which the agricultural producers and exporters had to face, were no more special than the problems faced by producers and exporters of manufactured goods such as electronics, textiles and transport equipment.

Mr. MARTINEZ (Argentina) stated that the question of increasing protectionism in international trade policies used to be closely linked in the past with the balance-of-payments situation of the countries concerned. He noted, however, that certain countries, especially the great trading powers, more and more sought to justify their trade restrictive measures on internal grounds. Countries which were in balance-of-payments surplus took restrictive measures because of their problems of unemployment and inflation and the need to give incentives to their economies rather than taking steps which were compatible with their surplus situation. Other countries took restrictive measures because of the deficit of their balance of trade and attempted to correct this trade disequilibrium by a monetary devaluation which was not justified by their economic structure. In neither case were countries taking positive measures in liberalizing trade and increasing their participation in international trade. He considered it very important to warn against the continuous threat of protectionism. He expressed the hope that the countries concerned would not wait for others to take the first step, but would themselves initiate action in pursuance of liberalization of international trade.

He also referred to certain shortcomings in GATT, in particular in the field of agricultural trade. He considered it unjustified that the agricultural economy was treated differently from the rest of the economy. This had led to excessive protectionism in agriculture and had accentuated the imbalance of the economy.

He also referred to the question of primary products which was of the greatest importance for developing countries. While discussions on an integrated programme for primary products were taking place elsewhere, he wondered whether GATT could not take supplementary measures to stabilize international trade in primary commodities.

Referring to the multilateral trade negotiations he pointed out that these negotiations so far had not improved international trading conditions. On the contrary, there had been a real deterioration of the participation of developing countries in international trade. It was important that solutions for these problems be found in the negotiations and that the MTN should not be completed unless the objectives which had been defined in the Tokyo Declaration concerning developing countries were fully met. He cautioned that the acceleration of the negotiations after four years of very limited progress, should not lead to time-limits which did not take into account the technical difficulties which developing countries were experiencing in participating in the negotiations.

Mr. HARAN (Israel) addressed himself first to general protectionist policies resulting from the current world recession. He referred to the Study on Trade Liberalization, Protectionism and Interdependence, which underlined that at all times profits were to be gained from liberal trade policies. He hoped that this study would give an additional impetus in accelerating the multilateral negotiations. In this connexion he expressed the hope that the question of a plan for the reduction of tariffs would soon be settled. He also hoped that the target date of 15 January 1978 for the tabling of offers would be adhered to. He further referred to the question of certain countries having important balance-of-payments surpluses. He believed that balance-of-payments surpluses created a situation which required consultations just as much as the situations created by balance-of-payments deficits. He suggested therefore that the Balance-of-Payments Committee should draw up a list of criteria under which any country in balance-of-payments surplus should be called upon to consult with the CONTRACTING PARTIES under the provisions of Article XXII.

He then mentioned as a specific problem for developing countries that through across-the-board tariff reductions developing countries would lose some of their preferential margin under the GSP or any other preferential arrangement. The most important problem for developing countries however was the problem of sectoral protectionism. At present only some developing countries were fully competitive in only a few sectors of industry but in the longer run more developing countries would attempt to exploit their competitive advantage by building up processing industries. For these countries protectionism in the sectors in which they had become fully competitive was a real danger. In the case of general protectionism questions of injury could generally be compensated for, but in the case of sectoral protectionism the main problem was that of unemployment which was far more difficult to cope with.

He believed that injury should be a criterion of all forms of safeguard action and, in general, trade restrictive action. No restrictions should be permitted unless proof of injury could be provided and furthermore such restrictions should only be taken against those countries which created or contributed to the injury. Furthermore, to cope with the problem of unemployment, it was essential that adjustment assistance measures be taken. He considered that under any new safeguard provisions as might result from the negotiations, an obligation to take adjustment assistance measures should be included. He suggested that the secretariat should make a study on the question of sectoral protectionism and, in particular, on any possible obligations which could be undertaken by contracting parties.

Mr. BARNETT (Jamaica) referred to the need that the multilateral trade negotiations should be speeded up. He recalled that at the Economic Summit of certain major trading countries held in London in May 1977 the commitment was

made to bring the negotiations to an early conclusion with substantial attention being given to the concerns of developing countries. Unfortunately, certain important areas of the negotiations were still progressing slowly. As regards tropical products he pointed out that the critically necessary improvements in the offers had not materialized and one major trading country had so far even failed to implement its offers. As regards tariffs the question of the tariff-cutting formula was still unresolved. The developing countries played an important rôle in the negotiations and it was essential for arriving at meaningful decisions that these countries should be able to participate fully in the various consultations and discussions that were being held. He also referred to the protectionist trends in a number of product sectors and pointed out that the number of such sectors was growing. The industrial recession, however, had also greatly affected the economies of developing countries. In spite of this the share of developed countries' exports of manufactures imported by developing countries had increased from 18 to 25 per cent between 1972 and 1975. He pointed out that this accelerated growth demand from developing countries had been important in sustaining domestic production and employment in industrialized countries. The ability of developing countries to purchase goods from developed countries could in the long run only be fostered through free access for developing countries' exports into the markets of developed countries. He stressed that restricting imports from developing countries in the very areas in which they were competitive could gravely affect actual and potential exports from the developed countries.

Having concluded the general discussion on Activities of GATT, the CONTRACTING PARTIES adopted the report of the Committee on Trade and Development (L/4597).

Mr. HALL (Australia), raising another matter, referred to the waiver granted to the United States in respect of action on imports of dairy products taken under Section 22 of the United States Agricultural Adjustment Act. The Council had not yet received the United States report on action taken in the year 1976/77 and this matter had therefore not been included in the Council's report. He recalled the interest of Australia in this matter, as expressed in earlier sessions of the CONTRACTING PARTIES, and was looking forward to receiving the United States report.

Mr. BRUNGART (United States) said that the United States had submitted the report to the secretariat so that it could be discussed at the next meeting of the Council.

Mr. DUGIMONT (European Communities) regretted that the report had not been received in time. He recalled the position of the Community that the waiver had introduced an imbalance not only as far as trade relations were concerned but also from the legal point of view of the rights and obligations of the different contracting parties.

Mr. GREIG (New Zealand) recalled earlier comments made by his delegation on this matter and stated that his delegation looked forward to a discussion of the report at the next meeting of the Council.

2. Date of the thirty-fourth session

The CHAIRMAN proposed that the thirty-fourth session of the CONTRACTING PARTIES be held in the week beginning 27 November 1978. This suggestion was made with the understanding that the Council would be asked to fix the duration of the session and the actual date in the course of next year.

The CONTRACTING PARTIES agreed to the date of the thirty-fourth session as proposed by the Chairman, with the understanding suggested.

3. Election of officers

The following nominations were made:

Chairman of the CONTRACTING PARTIES	Mr. C. De Geer (Sweden)
Vice-Chairmen of the CONTRACTING PARTIES	Mr. R.R. Brungart (United States) Mr. R. Hlavaty (Czechoslovakia) Mr. J.J. Real (Uruguay)
Chairman of the Council of Representatives	Mr. M. Yunus (Pakistan)
Chairman of the Committee on Trade and Development	Mr. M. Hamza (Egypt)

The CONTRACTING PARTIES agreed to elect the officers nominated.

4. Closure of the session

The CHAIRMAN in his concluding remarks said that the discussions at the session had brought out the very deep concern felt by contracting parties at the current wave of protectionism. It was clear that contracting parties considered the uncertainty created by the current protectionist climate at least as harmful as the measures that had been taken. He had detected a widespread fear that if contracting parties continued much further along this road, the whole structure of the open international trading system would be threatened. It was therefore very significant that all contracting parties reaffirmed their commitment to the maintenance of an open international trading system and their determination to do all they could to resist pressures that might endanger it. It was recognized that the full and effective use of the GATT system, with its rules, disciplines and procedures, constituted the best safeguard available to the international community against a breakdown of the trading system, that could only have harmful effects for all countries.

He stated that the particularly adverse consequences of the protectionist trends on the trade of developing countries were recognized. It was widely noted that a large proportion of the protectionist measures taken were in sectors of particular interest to developing countries. Many delegations of developing countries had made the point that the resulting curtailment of their export earnings, in addition to disrupting their development efforts and aggravating their balance-of-payments and external debt problems, also obliged them to reduce their purchases, especially of capital goods, from the developed countries, thus adversely affecting also economic activity in these sectors of high growth potential in the developed countries. He had also noted the concern expressed by several agricultural exporting countries over the continuing and unresolved problems of protectionism in agriculture.

He had also detected a number of general lines of thinking about what should be done to deal with current trading difficulties. It was recognized that the GATT provided through its rules, disciplines and procedures ways of coping with the current problems and it was urged that full use be made of these. In this context, particular mention was made of the important rôle that the Consultative Group of Eighteen as well as the GATT Council could play, and of the need for developed countries to take fully into account the objectives and provisions of Part IV, especially those relating to the "standstill", in relation to the trade interests of developing countries.

However, there was general acceptance that in some areas the GATT system could be improved. He mentioned another point that had emerged in the discussion on ways of dealing with the protectionist climate, namely that of the importance of securing a successful and substantive outcome to the multilateral trade

negotiations in the coming year. The significant progress made in recent months was universally welcomed. Many delegations had stressed the importance attached to the MTN as a means both of successfully overcoming many of the immediate difficulties which currently affected trade relations and of promoting and advancing long-term trade liberalization and improving and strengthening the international trading system so that it could better meet the challenges of the future. There was a feeling that the MTN should be speeded up within an agreed time frame but without loss of substance. In this context it had been widely recognized that the MTN should lead to an improved international framework for the conduct of world trade, particularly with respect to trade between developed and developing countries and differential and more favourable treatment to be adopted in such trade.

Many of the statements he had heard reflected particular preoccupation and concern with recent developments in the trade in textiles and the need to preserve a system of orderly trade expansion in an area which was of vital concern to both importing and exporting countries. Mention had been made of the dangers to the international trading system that would result from a breakdown of the MFA and of any resort to unilateral measures.

Reference had also been made to the valuable rôle that the expansion of trade among developing countries could play. The decision of the Committee of Participating Countries to initiate the collection of technical data with a view to assessing the prospects for a future round of trade negotiations open to all developing countries was noted and the interest in this work shown by a large number of developing countries was welcomed.

Finally, he mentioned that there was widespread recognition that behind many of the current problems of the trading system lay structural changes of a more fundamental nature. The view was widely expressed that a willingness to adjust to structural change was necessary not only if individual contracting parties were to take into account the interests of their trading partners but also for sustaining their own long-term growth and the development of the open international trading system. It was also suggested that in its future work programme after the end of the MTN, GATT should look further into ways of dealing with the problems resulting from the structural changes taking place in the world economy.

In concluding, he said that he had thought it appropriate to share these impressions with contracting parties, as they would no doubt wish to reflect upon these points and take them into account when contracting parties, individually and jointly, addressed themselves to the tasks ahead in the coming year.

Mr. DE GEER (Sweden) thanked the CONTRACTING PARTIES for his election and expressed the hope that he would be able to live up to the confidence placed in him. On behalf of the CONTRACTING PARTIES he thanked Mr. Maciel, the outgoing Chairman, for the very efficient, stringent and objective manner in which he had carried out his functions. His great knowledge of trade policy and his wisdom had greatly contributed to the success of the work of the CONTRACTING PARTIES.

The session closed at 12.45 p.m.