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SUMMARY RECORD OF SECOND MEETING

Held in the Palais des Nations, Geneva,
on Tuesday, 28 November 1978, at 10.30 a.m.

Chairman: Mr. C. DE GEER (Sweden)

Subject discussed: Activities of GATT

Mr. BRUNGART (United States) said that the CONTRACTING PARTIES could look forward at this session to a significant milestone in the history of GATT - the successful conclusion of the Tokyo Round. While the results to be achieved by the negotiations would be impressive, he thought that they would not solve all existing trade problems. He expected that protectionist pressures which so far had been resisted would continue and perhaps intensify after the end of the negotiations. It was therefore necessary to reflect on a work programme for GATT following the MTN as soon as possible. He recalled first that the secretariat had published two studies on protectionism which were important for governments in their approach to trade policy problems. He believed that the secretariat's capability to perform and disseminate such analytical work should be reinforced. Secondly he suggested that GATT should be strengthened as an institution dealing with international trade problems. To this effect an improved mechanism should be developed for bringing together leading officials from contracting parties on a regular basis to consider commercial policy problems and to provide direction for GATT programmes. He also mentioned the continuation of the secretariat's facility to help developing contracting parties exercise their rights and meet their obligations under the GATT. Thirdly, the post-MTN programme should encompass the interests of all contracting parties. The first task was to implement the agreements reached in the Tokyo Round. However, some MTN issues would not be completely resolved and other problems, untreated in the negotiations, might also require attention in the coming months. Furthermore, the concerns of developing countries would require special attention. The United States was therefore looking forward to the adoption of a concrete work programme for the post-MTN era at a special session of the CONTRACTING PARTIES in early 1979.

Mr. SAWAKI (Japan) said that while the world economy had shown moderate growth, countries were still suffering from stagnation, high rates of unemployment and persistent inflation. He mentioned that his country had taken extensive measures aimed at achieving the growth targets and external equilibrium. Despite the appreciation of the yen by more than 30 per cent exports had shown a steady decrease and imports a steady increase, which tended to restore equilibrium in Japan's balance of payments. At the same time Japan was adjusting its production capacity of various industries to a slower growth. The economic difficulties had contributed to strong protectionist pressures in many parts of the world. He said that Japan had not taken any new protectionist measures but had, on the contrary, proceeded with the advanced implementation of tariff reductions and other liberalizing measures. He considered it imperative that an agreement be reached in the MTN now, in order to avoid being overtaken by protectionism. Japan was therefore committed to an early conclusion of the negotiations with substantial results and with as many participants as possible. Japan intended to produce a package which would have a substantial trade liberalization effect with an average tariff reduction of well over 40 per cent. Japan was also working towards the conclusion of various codes. He considered it essential that also as many as possible of the developing countries should adhere to and endorse the results of the MTN. However, his Government would not conclude a trade negotiation package with those contracting parties which continued to invoke Article XXXV against Japan. He urged all participants in the negotiations to work towards their final conclusion of the negotiations.

Mr. LHO (Korea) said that international trade was currently facing a crisis situation. Since the beginning of the 1970's a conspicuous event in the world economy had been the rapid expansion of export capabilities of developing countries in the industrial sector. This phenomenon had been considered by the developed world as a threat to their industries and had resulted in the emergence of protectionist forces in a more serious form. These forces were gaining constantly in spite of the realization that protectionism was fatal to the free-trade system. He said that nearly 100 Korean export products were subject to trade barriers in the developed countries. Textiles and clothing were particularly affected, but the restrictive measures were now spreading to include even high technology products of developing countries. He stressed that the contracting parties should be urged once again to renounce protectionism as a policy instrument. He mentioned that Korea had taken action twice this year to liberalize imports and had removed restrictions on about 180 important items. Korea furthermore intended to lower the average tariff rate from 36 per cent to 25 per cent, starting in early 1979. He hoped that the developed countries would consider these measures as a substantial contribution to the MTN by Korea.

He said that the implications of the MTN for developing countries were immense in the light of the fact that North-South relations were likely to be a focal point of trade policy throughout the 1980's. He considered that highest priority should be given to an institutional guarantee for a free-trade system and he mentioned that the Safeguard Code was fundamental in this regard. He believed that without an effective safeguard code, with stricter criteria, discipline and surveillance based on the MFN principle, the trade relations between developed and developing countries would be thrown into disorder. He also thought that the improvement of the dispute settlement mechanism was another important area, as it seemed that trade disputes between developed and developing countries would be more frequent in the coming years.

Finally he considered that the question of structural adjustments was largely neglected in the industrialized countries, where the policy too often was to keep weak and inefficient industries alive. He believed that this policy would cause serious damage to world trade. He finally drew attention to the growth prospects in developing countries for exports from the industrialized countries. In this connexion, it was imperative that the developing countries should also be given continued market access to the developed world.

Mr. JAY (Canada) stated that there remained serious economic problems such as inflation and high levels of unemployment. Furthermore, governments were faced with increased internal pressures for action to protect domestic production. While many governments had been able to resist pressures so far, he believed that only a solid world-wide recovery could ease these pressures. His Government had made it clear at several international fora that it was essential to maintain an open system of world trading relationships. This position had been reaffirmed by domestic initiatives taken over the last five months. Referring to the multilateral trade negotiations he acknowledged the progress made over the last year. However, many complex issues remained to be settled in the coming weeks. He was convinced that a successful conclusion of the Tokyo Round was absolutely essential to the future health of the world trading environment. He stressed that it was important to bear in mind in this regard the interests of developing countries, as reflected in the Tokyo Declaration. As regards the timing of the next session of the CONTRACTING PARTIES in relation to the conclusion of the MTN, he suggested that this session should take place after the final signature of the MTN agreements and towards the end of 1979. This would provide enough time for contracting parties to prepare carefully for the consideration of the issues emerging in the post-MTN period.

Mr. DAVE (India) stated that the world trading community continued to experience severe strains. Governments had found it difficult to overcome inflation and unemployment. Although he recognized that many governments

had successfully resisted domestic protectionist pressures, it also appeared to him that governments had tended to take short-term rather than durable measures that went to the root of the problems. Although protectionist action had been condemned by world leaders on all occasions, he noted that world trade continued to be hampered by protectionism. He said that developing countries had been most severely affected by these developments and he believed that the burden of adjustment was being shifted to those least able to bear it. He mentioned in this connexion the Multi-Fibre Arrangement, which had been extended in a manner unprecedented in international agreements, whereby one party decided that it would on its own deviate from the provisions of the instrument. He stated that the textiles sector, which was an important industry in many developing countries, had too long been insulated from general trade law and the special arrangements governing textiles had become more and more restrictive. All fibres were now covered by the Arrangement, and only exports from developing countries had been restrained under it. He expressed concern that such retrograde concepts could have repercussions in other sectors and he warned contracting parties against ideas such as market penetration, cumulative market disruption etc. in international trade policy.

In reply to arguments that the main difficulty was the explosion of low-priced imports from developing countries, he stated that the expansion of trade in manufactures within Western Europe and North America had accounted for nearly two thirds of the total increase of world trade in manufactures between 1955 and 1973. Trade between Western Europe, North America and Japan accounted for less than one fourth of the total increase, while the expansion of imports by industrialized countries of manufactures from developing countries during that period represented only 11 per cent of the increase in total imports of manufactures, including textiles. He said that these figures pointed to the need for permitting developing countries to move faster into the field of manufactures, and to the need for developed countries to begin their structural adjustments. This should be their main contribution to the growth of world trade. The General Agreement should play a positive and dynamic rôle in the realization of this objective. He expressed the hope that the MTN could accomplish this objective through improvements of the General Agreement in several directions. India had entered the MTN with the faith that response from her partners would be generous and it had made substantial contributions and liberalized its import régime. There were also indications however, of a more restrictive trading environment for less-developed countries. The CONTRACTING PARTIES should therefore, closely examine what emerged from the negotiations in order to see whether it should be approved or not. The CONTRACTING PARTIES should not allow for instruments which were limited to a small number of participants or which did not meet the requirements of a majority of trading nations or were in conflict with the unconditional character of Article I of the General Agreement. He therefore believed that the CONTRACTING PARTIES should meet at an appropriate time to consider the outcome of the MTN and to give or withhold their consent.

As regards the future rôle of the GATT, he thought that it would be useful to provide a mechanism to ensure that obligations to developing contracting parties, particularly with respect to Part IV, were respected. There should also be a system of surveillance of import restrictions and other measures, and of more effective examination of adequate justification for the application of such measures to the trade of developing countries. He concluded by stating that trade policy had to be viewed in conjunction with international discussions in the fields of development, money and finance. The Consultative Group of Eighteen had initiated thinking in this direction and he looked forward to continuing this very useful debate in the future.

Mr. CAPPELEN (Norway), speaking on behalf of the Nordic countries, said that it was necessary in the present world economic situation to uphold a liberal world trading system and therefore to combat protectionist tendencies. The existence of the Tokyo Round had reinforced the resistance of governments in this respect. With these negotiations coming to an end the Nordic countries pledged their support for sustained efforts within the GATT to promote a liberal world trading system. He expressed concern at the international economic situation which still was characterized by persistent unemployment, low rates of economic growth, monetary instability, balance-of-payments difficulties and inflationary pressures. He emphasized that the threat of a recurrence of protectionism preoccupied the Nordic Governments and believed that only through concerted efforts in the field of economic policy liberal trade policies could be promoted. It was in this spirit that the Ministers of EFTA countries had recently stressed the importance of achieving a balanced and substantial settlement before the end of the year in the multilateral trade negotiations. This would contribute to a further liberalization of world trade, increased transparency and discipline, and as a consequence strengthen the GATT as a necessary framework for the expansion of international trade, benefiting both industrialized and developing countries. He expressed satisfaction that progress had been made towards reaching satisfactory solutions in some key areas of the negotiations and he believed that there now existed a basis for an early conclusion of all outstanding issues. He stressed that the Nordic countries would make every effort to secure additional benefits for the trade of developing countries and to improve conditions of access for products of interest to such countries.

Turning to the future, he said that it would be particularly important to implement the tariff cuts and to put into practice the new trading rules. Equally important were other sustained efforts to stimulate the growth of trade, and to adjust to changing circumstances. The GATT had an important rôle to play in this connexion as a forum for closer consultation on the broader trade questions.

Mr. YAVUZALP (Turkey) said that the world economy had been affected for a number of years by problems such as inflation, slow growth, unemployment and that there was no sign indicating that these problems would be overcome in the near future. This situation gravely affected world trade. There also was a danger that protectionism could become a permanent practice. He pointed out that protectionist measures had important consequences for developing countries, since the volume of investment in these countries was closely linked to the possibility to import, so that a reduction of their export income would affect directly their rate of growth. This development would undoubtedly also affect industrialized countries, in that a reduction in the rate of growth of imports of developing countries would lead to restrain export possibilities of developed countries and thus cause difficulties to other sectors of their economies. This development would also deprive developed countries of more important market outlets in the future. He believed therefore, that only increased imports by developing countries could ensure the expansion of world trade and the equilibrium of economic activities.

Turning to the Multilateral Trade Negotiations he expressed satisfaction that the difficulties in the negotiations during the recent months seemed to have been overcome. It was evident that in the case of a failure of the negotiations the total world economy would be adversely affected. There remained uncertainty however, as to the scope of the benefits which the negotiations would provide to the developing countries in relation to what they expected to obtain in the framework of the Tokyo Declaration. All the elements of the final package were not yet known and no definitive results had yet been obtained for special and preferential treatment in favour of developing countries. However, the developing countries were not so much interested in a statistical analysis of the results of the negotiations, but rather in the way they would be applied and would be translated into real advantages for the developing countries in the coming years.

Referring to the post-MTN period he said that the rôle GATT would have to play would be of prime importance. The negotiations would add to the GATT new mechanisms and new bodies, but it was also necessary to have a concertation at high level of commercial policies. Turkey therefore, considered that the Consultative Group of Eighteen should continue to function, as the consultations in that Group would be even more useful for the future of commercial relations. He was also convinced that in the 1980s trade among developing countries would be one of the essential elements of world trade and he believed that possibilities existed for the expansion of this trade. The Protocol Relating to Trade Negotiations Among Developing Countries was only a starting point for this endeavour and the results obtained so far had been modest. He noted nevertheless that imports of the small number of products on which concessions had been given into nine

participating countries from other participants had increased between 1972 and 1977 from \$19 million to \$102 million. Such imports into Turkey had increased during the same period from \$5 million to \$35 million. His Government therefore attached great importance to a second round of negotiations. This round should allow for an enlargement of the Protocol in all respects, including the number of participants, the product coverage and preferential margins. They should also extend to non-tariff measures. It would also be useful to examine such matters as shipping, freight rates, insurance and marketing.

Referring to the GATT training courses which had been very useful, he suggested that these courses should also bear on subjects dealing with trade negotiations among developing countries.

Mr. HAMZA (Egypt) said that forces of protectionism were gaining ground in international trade in such forms as orderly marketing arrangements or clear trade restrictive measures. The effects of protectionism were most strongly felt by the weakest trading partners, and especially in those sectors, such as textiles, in which there existed prospects for increased export earnings. He emphasized that if the international community was not ready to face the dangers of protectionism the system of world trade might disintegrate.

Referring to the MTN, he said that these negotiations should not only be concluded rapidly, but they should be concluded in accordance with the provisions in the Tokyo Declaration relating to developing countries. If these provisions could not be translated into meaningful concessions and commitments to the developing countries, these countries would regard the negotiations as a failure and refuse to accept their results. In the post-MTN period one of the first tasks was the effective implementation of the concessions made. He stated that thereby priority should be given to the advance implementation of concessions in favour of developing countries. Furthermore, the codes and mechanisms which hopefully would recognize the special problems of developing countries, would need to be adopted and be made truly operative. These tasks would involve formal action to be taken by the CONTRACTING PARTIES and therefore, a special session was called for.

As regards future actions of contracting parties he stressed that industrialized countries should open their markets further, particularly with respect to export products from developing countries. To this end industrialized countries should firmly commit themselves to contain protectionist pressures. These countries should also reaffirm their earlier commitments to adopt adequate measures for adjustment of their industries in the light of changing competitive conditions. The efforts made in this regard should be followed closely by the CONTRACTING PARTIES. He also suggested that the CONTRACTING PARTIES should consider a system for the

gradual removal, according to an agreed time schedule, of non-tariff measures, which remained in force after the Tokyo Round. He suggested that the CONTRACTING PARTIES should set up machinery for continuous negotiations for the removal of both tariff and non-tariff barriers affecting the trade of developing countries, bearing in mind that in a number of sectors in which developing countries had a comparative cost advantage the tariff rates might not or only marginally be reduced. He also suggested the establishment of a framework for periodic consultations with parties whose interests had been adversely affected as a result of modifications or withdrawals of concessions under the GSP. The CONTRACTING PARTIES should furthermore establish a mechanism for the surveillance of anti-dumping, countervailing or safeguard actions, which should facilitate the taking of appropriate adjustment assistance measures in importing countries. The CONTRACTING PARTIES should especially help developing countries in expanding their export earnings. In this respect the task of the Committee on Trade and Development should be enlarged. He also recalled the useful rôle which had been played by the Group of Three, until 1973, and suggested that the Group should be revived. As another task he mentioned the enlargement in coverage and membership of the Protocol Relating to Trade Among Developing Countries. He suggested in this regard that as a special assistance, the GATT commercial policy courses should focus in 1979 on providing training in the field of trade negotiations and other specialized fields of interest to developing countries.

Mr. ABBOTT (European Communities) said that during the last twelve months the European Community had experienced a period of slow economic progress. Further difficulties were created more recently by developments in the monetary field. The Community thus found itself at a crossroads between the severe economic crisis of the last years and the prospects for hopefully durable growth. The estimates and forecasts for 1978 and 1979 appeared to indicate that a significant rate of growth could be achieved without stimulating inflation. The efforts made by the Community in particular in the field of industrial restructuring were aimed at bringing about the necessary changes and adaptations of the factors of production. He further stated that the Community was not unduly pessimistic with regard to protectionist trends at the moment. He believed that in view of the difficult economic circumstances the trade system as a whole had well resisted the assaults of protectionism. Referring to the MTN he said that his delegation was resolved to bring the negotiations to completion. These negotiations should be taken as a whole and he welcomed the growing number of delegations which were actively taking part in the elaboration of final solutions. This led to believe that the results which all hoped for would be reached, namely a greater liberalization of trade in all markets which would be in the interest of all participants in the MTN. In this regard the Community was conscious of its responsibilities in respect of developing countries and in particular of the least-developed countries.

He said that the Community had developed a special form of co-operation with the Mediterranean countries and the countries members of the Lomé Convention. The Community had initiated negotiations for the renewal of the Convention. Furthermore, the Community had sought to improve its generalized system of preferences and encouraged various regional economic groupings such as ASEAN. In the MTN the Community, together with its partners, was seeking in various sectors of the negotiations for measures to ensure differential treatment for the benefit of developing countries. The Community also actively participated in the Framework Group to arrive at a more satisfactory legal basis for the implementation of differential treatment. This should ensure an enlarged participation of developing countries not only in the expected advantages of the negotiation, but also in the rights and obligations resulting from an improved framework of world trade.

Referring to the activities of GATT after the Tokyo Round he said that the CONTRACTING PARTIES would be required to assess the important problems likely to arise in international trade in the 1980's, and to indicate the directions to be followed by GATT vis-à-vis future trade relations. The Community was convinced that GATT would continue to play an essential rôle in international trade relations. The GATT would be confronted with new tasks. More precise rules would have to be implemented to face the questions coming up. He believed that GATT would adjust successfully in an evolutionary rather than a revolutionary way to new situations in response to the needs of all contracting parties.

Mr. CASTILLO (Spain) said that the present critical economic situation had led in a number of cases to protectionist measures. These measures however had not been as serious as one might have feared, due to the existence of international rules on foreign trade, such as the General Agreement. There was nevertheless great concern in his country, as the protectionist measures affected many industrial products, such as textiles, footwear, steel products, processed agricultural products etc. It was in these areas of relatively simple technology, that Spain was trying to enter into developed markets. He acknowledged that the work of GATT had contributed to preventing a proliferation of protectionism.

Referring to the MTN, he said that his delegation was pleased to note the progress made in the MTN this year. This round of negotiations was decisive for obtaining better international economic co-operation in order to overcome the present crisis. Following the completion of the Tokyo Round the CONTRACTING PARTIES should give GATT the necessary instruments to move forward. He believed that protectionism for non-competitive sectors should be removed through a process of restructuring of these sectors, so as to arrive at freer trade for the products concerned. The existing provisions of the General Agreement as well as the new codes derived from the MTN need first of all to be effectively implemented and the time had

come for the CONTRACTING PARTIES to reflect on how to regulate in future all the exceptions to the General Agreement. It would also be necessary to redraft Part IV in order to arrive at more precise standards for the principles recognized therein. He noted that the General Agreement was a contract, entered into freely by all contracting parties, which was to govern the changing situation of international trade. This instrument should therefore be kept up to date, in line with the changing economic situation of the countries constituting the international community.

Mr. HLAVATY (Czechoslovakia) said that the difficulties in international trade had been accentuated by slow economic growth, stagnation of demand, unused capacities, inflation and currency instability. More industrial sectors had been excluded from the liberal trading system and new techniques of protectionism had been developed.

He said that the increase of restrictive measures taken by the industrial countries was the key element in the decline in growth of Czechoslovakian exports. He mentioned that these exports in 1977 had increased by 12 per cent and were expected to increase in 1978 by only 6 per cent. However, on the import side the situation was different, as there was an increase in the rate of growth from 1977 to 1978. He believed that the relation between his country's exports and imports could in the long run be affected by these protectionist measures, especially as these measures were often of a discriminatory nature. On the other hand, trade with developing countries, was marked by a steady increase in both imports and exports. In 1977 exports increased by 21 per cent and imports from these countries by 41 per cent.

With regard to the MTN he stated that Czechoslovakia took part in all fields of the negotiations and supported solutions favouring a further liberalization and extension of international trade. He regretted however, that some important negotiations had been conducted within a rather restricted group of countries, thus preventing other participants in the MTN from participating in the negotiating process effectively. He was of the view that the degree of trade liberalization attainable in the Tokyo Round and the improved international framework of rules and procedures for world trade could create conditions of greater stability and equity in trade and thus counter protectionism. He regretted therefore that some protectionist and even discriminatory tendencies could be found in several fields of the MTN.

He felt that the increasing participation of developing and planned economy countries in world trade brought about new perspectives and changed circumstances, which could not be neglected by GATT if it intended to maintain its position as a framework for world trade.

Referring to the rôle of GATT after the Tokyo Round he said that GATT could provide solutions for some of the unsettled problems which confronted the international trading community. Czechoslovakia expected above all that GATT would be instrumental in terminating discriminatory quantitative restrictions, in removing conditions which inappropriately linked political and trade objectives, in creating conditions for full application of most-favoured-nation treatment to all GATT contracting parties and in further improving trading conditions for developing countries and countries exporting agricultural products. He expressed the hope that contracting parties would in their general policy options follow a free-trade policy and make appropriate amendments to their legislation in order to permit the normalization of trade and elimination of discriminatory practices.

Mr. METAXAS (Greece) recalled that at the last session of the CONTRACTING PARTIES his delegation had expressed concern at the international economic situation. His delegation had also pronounced itself in favour of a sustained growth and appropriate measures which could lead the world economy out of the recession, the worst victims of which were the developing countries. It was indispensable to establish a more open trading system and to fight against protectionist tendencies and restrictive trade policies. The effects of protectionism on the economies of developing countries was such that a decrease in trade would be a catastrophe for these countries. He stressed that it was now most important to conclude the MTN with an agreement in the fields of tariff and non-tariff barriers and with the introduction of a system of special treatment in favour of developing countries. He said that the political commitment of the countries which had accepted the Tokyo Declaration ruled out a failure, since this would have severe repercussions on international trade and would lead to a disorganization of the world economic system. Success of the negotiation would guarantee a harmonious expansion of world trade and serve as a solid basis for the restoration of a new international monetary system. Furthermore, through the special treatment in favour of developing countries, and the growth of trade between these countries, the GATT would make a real contribution to international economic co-operation.

He said that Greece participated positively in the negotiations and had made an offer in May 1978. He also mentioned that in spite of the economic effects of the crisis on an open market as that of Greece, his Government had in accordance with its Association Agreement with the European Community, introduced on 1 November 1978 a further 8 per cent decrease in its prior deposit system applicable to all contracting parties. Greece expected to receive compensation for these measures in the final phase of the negotiations.

Mr. JAGMETTI (Switzerland) said that the world economic situation remained a source of concern. The report of the Council showed how much contracting parties had been applying import restrictions for balance-of-payments or other reasons. Furthermore, serious structural problems in many sectors of production had led contracting parties to take certain adjustment measures which not only affected their imports, but in some cases also took the form of disguised export aids. He mentioned moreover, the large number of cases in which recourse was being sought to the dispute settlement provisions. In spite of the fact that monetary instability had worked against efforts of economic revival he noted that the GATT rules had been reasonably successful in a difficult economic situation.

He recalled that the Tokyo Declaration required a reinforcement of certain procedures and a clear interpretation of some of the fundamental rules in the legal framework governing international trade. In this connexion he mentioned in particular, the Articles VI, XVI and XIX of the General Agreement. His delegation strongly believed that the final package of the MTN should achieve substantial results in the fields of safeguards as well as subsidies and countervailing duties and in dispute settlement procedures. This would have substantial repercussions on the structure of the GATT. He thought that one of the principal activities of the CONTRACTING PARTIES would be to find means for the implementation of the results of the MTN. This would include the setting up of new bodies within the GATT and the supervision of the implementation of the new rules. The GATT would also have to deal with problems concerning adjustment to competition, relations between developed and developing countries and the growing interdependence between international trade and international monetary policies. He stated that the Group of Eighteen had recognized the importance of these problems and appeared to be the most appropriate body to pursue this review. His delegation felt that the Group of Eighteen should play an important rôle in the future of the GATT.

Mr. MACRIS (Cyprus) said that this session was taking place at a crucial moment in international trade relations. During the past year the recovery in the industrialized countries had been very slow. In the developing countries the same problems had appeared, such as high levels of unemployment, high inflation rates, substantial current account deficits in the case of non-oil developing countries, mounting debt service payments, and very inadequate growth rates. A further problem was the upward trend in protectionism which presented particular problems for developing countries. He believed that a reversal of these trends and the promotion of a sustained expansion of international trade with particular emphasis on the needs of developing countries was urgently needed and would be to the benefit of both developed and developing countries.

Referring to the Multilateral Trade Negotiations, he stated that Cyprus, being a small country with limited resources, was not in a position to take an active part in these negotiations. His Government, however, followed the negotiations with interest and he expressed the hope that the results would be in keeping with the undertakings in the Tokyo Declaration regarding non-reciprocity and special and differential treatment in favour of developing countries, so as to provide the framework for a concrete and substantial improvement in the conditions of access for products of export interest to developing countries.

His delegation shared the view that the potential for trade expansion among developing countries was perhaps greater than between them and the rest of the world. He believed that the GATT was well qualified to make a significant contribution towards the expansion of trade among the developing countries. Cyprus was actively exploring its potential to expand its trade with developing countries and he supported the examination of possibilities for a further round of negotiations among developing countries.

Mr. TOMIC (Yugoslavia) said that it was encouraging that governments had been resisting protectionist pressures. However, restrictive measures had not been fully avoided and it was regrettable that the measures that had been taken had a substantial effect on the exports of manufactured goods from developing countries.

Referring to the Multilateral Trade Negotiations he emphasized that the results of the MTN should encompass all the negotiating elements, as well as all participants and should not be limited to only a few participants. Furthermore, the negotiations could not be terminated without the granting of special and differential treatment in favour of developing countries as provided in the Tokyo Declaration. Only on this assumption could the results of the Tokyo Round restore confidence in the international trading community.

He noted that the exchange-rate fluctuations during the second part of this year had seriously affected trade, as the lowering exchange rate operated as a subsidy on exports. This situation was aggravated by supplementary import restrictive measures.

He stated that the report of the Council provided a picture of the trade measures which had increasingly been applied. Furthermore, there were many other measures which had never been considered by the Council. Some of these had been compiled in the secretariat's Survey of Developments in Commercial Policy. He expressed the hope that this Survey could be further completed on the basis of direct sources.

It appeared to him that the international community was more concerned with means to restrict rather than to promote trade. This was also reflected in the MTN, where much time had been spent in discussions aiming at protective or restrictive measures. Furthermore, in the report of the Committee on Trade and Development, little had been said about measures taken in favour of developing countries. He believed that Part IV of the General Agreement had practically been ignored.

He pointed out that the developing countries could have an important rôle to play in reviving economic growth in the world, but this fact had been ignored by developed countries. He stressed that by increasing the purchasing power of developing countries by facilitating their exports, the exports of developed countries would also expand. He pointed out that purchases of developing countries were much larger than their sales to developed countries' markets, a situation which could not go on forever and which had to be solved constructively. Similarly, he expressed surprise to see the long-established principle of non-discrimination in GATT being replaced by a system of selectivity and differential treatment, which could only lead to international disorder. He believed that the GATT rules could not be improved on this basis. Instead, an international framework should be set up which could increase the earnings from exports for the developing countries, and stimulate economic co-operation among developing countries as well as between developed and developing countries. This framework should provide more equity in relations between developed and developing countries.

The meeting adjourned at 12.45 p.m.