

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Thirty-Fourth Session

Page 33

SUMMARY RECORD OF THE THIRD MEETING

Held in the Palais des Nations, Geneva,
on Tuesday, 28 November 1978, at 3 p.m.

Chairman: Mr. C. DE GEER (Sweden)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Activities of GATT	33
2. Date of thirty-fifth session	45
3. Election of officers	45
4. Closure of session	45

1. Activities of GATT

Mr. SENE (Senegal) said that the economic and financial international institutions, which had made possible the economic growth of the past and particularly the growth of international trade, had been severely affected by the practices of certain States. The result had been an unstable monetary system and a progressive return to protectionism at the expense of trade liberalism and the rules of GATT. These rules had always contributed to an international discipline in the field of trade, but for reasons of internal policy the large trading nations had ceased to respect these rules. He stated that the international economic crisis was basically a structural crisis and he expressed regret that the developed countries had resorted to new tariff and non-tariff barriers, which affected particularly those sectors in which the developing countries had acquired a comparative advantage. He believed that developed countries should do more to resist protectionist pressures as protectionism, from a global point of view, made the economy inefficient and as far as developing countries were concerned, increased their balance-of-payments deficits. The opening of the markets of the developed countries to the developing countries was a major factor for the expansion of the world economy, including the economies of the developed countries, since it was only by exporting more that the developing countries could purchase more industrial equipment. Even if it was impossible to open up their markets, developed countries should at least keep their commitments undertaken in Part IV of the GATT.

He believed that the current Tokyo Round was the most appropriate means to restore the situation. It encompassed all sectors of trade, tariff and non-tariff measures and would, in accordance with the Tokyo Declaration, provide additional benefits to developing countries. He noted that the negotiations were approaching the end and that intensive negotiations were presently conducted between developed countries in view of their possible conclusion in December 1978. However, he feared that the negotiations between the developed and developing countries, which should give to the latter additional benefits, might well end without significant results. He pointed out that in the negotiations on tropical products only minimum advantages had been obtained and that the negotiations in the agricultural and industrial sectors might well end with only marginal advantages being given, which in no way corresponded to the special and differential treatment envisaged in the Tokyo Declaration. Furthermore, a number of codes were being drawn up among a limited number of delegations only, without taking into account the interests of developing countries. He said that the developing countries were concerned about the possible results of the negotiations and he asked that a procedure be established for a more collective adoption of the results before the negotiations were fully concluded. In conclusion, he expressed appreciation for the technical assistance provided to the developing countries and insisted that such assistance should be maintained.

Mr. WILLENPART (Austria) noted that protectionist pressures were still strong, but he believed that the liberal trading system had resisted them remarkably. Even more restrictions with a heavier impact on world trade could have been introduced, had the trading system as embodied in GATT not done so well. He hoped that governments would also in the future maintain their firm attitude against protectionism.

Turning to the MTN, he noted that the negotiations might be concluded by mid-December, after which they should obtain the necessary political endorsement. He said that despite the results to be achieved in the Tokyo Round, not all problems of the world economy were close to being solved. Any settlement of trade policy issues could only be of lasting value if within a reasonable time the international monetary situation was also brought under control. It was further, necessary to reduce inflation rates and to solve any remaining sectoral difficulties. Furthermore, taking into consideration the rapid changes in the world economic and trade relations, one of the major issues ahead would be the elaboration of appropriate and suitable adjustments. He hoped that the new codes and procedures resulting from the MTN would provide a firmer framework for the solution of trade-policy problems. Much would depend on the way the new rules would be applied. The needs of developing countries would have to be taken into particular consideration in order to strengthen their markets and to improve means to cover their growing demand. This would lead to a further expansion of trade with developing countries and their fuller participation in the international trading community, for the benefit of all.

Mr. PETRESCOU (Romania) said that the developments in international trade during last year confirmed the need for transforming the international trading system in order to adapt it to economic realities and to establish equitable conditions for the participation in international trade of all countries, particularly developing countries. He expressed concern at the increase in protectionist tendencies in developed countries, in particular because of their negative effects on the trade of developing countries, like Romania. He was of the opinion that protectionist measures could not solve the existing economic difficulties of the developed countries, since they prevented a sound development of the world economy with consequential adverse effects on the economies of these developed countries. These measures, furthermore, adversely affected the export potential of developing countries and, by implication, their capacity to import products from the developed countries. The developed countries should therefore commit themselves to abstain from introducing new restrictive measures and to revert to normal trading conditions for the sectors affected, such as textiles, footwear, steel products, etc.

He also expressed concern about developments in the multilateral trade negotiations, in particular the unsatisfactory results which were emerging for the developing countries, including Romania. The concessions offered by developed countries, particularly in the field of quantitative restrictions, did not seem to lead to a substantial improvement of conditions of access for Romanian exports. In other areas of the negotiations efforts were being made, not to improve the commercial framework, but rather to legalize discriminatory treatment by invoking differences in economic systems. This was contrary to the letter and the spirit of the GATT. He stated that Romania was in the process of preparing its contribution to the MTN, even though it considered that the offers made by its trading partners were insignificant. He stressed that the negotiations should lead to an extension as well as a consolidation of the differential and more favourable treatment for developing countries, as a permanent feature of international commercial relations until such time as the economic gap between developed and developing countries had been eliminated.

He also referred to the fact that an important trading country still invoked Article XXXV against Romania, although it granted Romania most-favoured-nation treatment. He hoped that it would be possible soon to disinvoke this Article in respect of Romania.

Concerning the work of GATT after the Tokyo Round, he said that one of the most important questions to be dealt with should be that of structural adjustments in the developed countries, which was an essential condition to allow for increased access for the exports of developing countries. His delegation supported also the proposal to convene a special session of the CONTRACTING PARTIES towards the end of 1979, and to expand the Protocol Relating to Trade Negotiations Among Developing Countries by a new round of trade negotiations.

Mr. MARTINEZ (Argentina) noted that in many of the statements delegations had expressed concern on developments in the MTN. He would have preferred, however, if these statements could have been made in the Trade Negotiations Committee which was the appropriate body for such discussions. The number of meetings held by the TNC was only very small. Furthermore, there were a number of countries participating in the negotiations, which were not contracting parties and for which the present discussion was also of importance. Moreover, concrete suggestions had been made relating to the conclusion of the negotiations or the establishment of appropriate bodies, which required action in the context of the negotiations. He considered that any decisions to be taken in respect of the MTN should not be taken at the session, but at the Trade Negotiations Committee.

Referring to the question of protectionism, he pointed out that protectionist tendencies had existed for a long time and it was precisely one of the objectives of the MTN to reduce and eliminate the existing protective measures. However, since the negotiations had begun in 1973, several new trade obstacles had been introduced, so that there now was the regrettable situation that negotiations were taking place with the hope of removing trade obstacles which did not exist at the time the negotiations were launched.

Discussions on the programme of work after the Tokyo Round, although important, should not detract from the immediate task of concluding the negotiations with results satisfactory to all contracting parties and also to those participants who were not contracting parties. It was, of course, necessary that a balance sheet be drawn up on what would have been achieved in the negotiations and he stressed that this should of course be done by the CONTRACTING PARTIES. An objective assessment had to be made, not only on what had been achieved, but also on what had not been done. It was likely that a further round of negotiations might not take place before another ten years and this was too long a delay for solving the remaining problems of the developing countries. He agreed that the codes to be established and the new rules to be drawn up to regulate international trade should be more transparent than in the past and that they should be in accordance with the commitments which the contracting parties had accepted under the GATT. He expressed serious concern, however, about the fact that a number of these codes were presently being discussed without participation of the majority of other participants. He warned against the codes being used to settle problems only among a few trading partners or even to institutionalize certain new forms of protection.

Referring to agriculture, he emphasized that this sector, which incorporated both temperate-zone agricultural products and tropical products, had not sufficiently been considered in depth in the negotiations. He

considered it absolutely essential that a certain balance be established in international trade between the industrial and the agricultural sectors. He hoped, therefore, that the new rules and standards would also be applicable to trade in agricultural products.

In conclusion, he stressed once more the essential need to conclude the negotiations in a satisfactory manner and to make the necessary efforts to reach results which would meet the objectives set out in the Tokyo Declaration.

Mr. TEESE (Australia) welcomed the imminent conclusion of the MTN provided that it could produce real gains in a balanced and equitable trade liberalization. He said that Australia watched with great concern the proliferation of protectionism, which had a long history in agriculture, but was now spreading to other areas of trade. Australia therefore wanted the GATT to direct its attention against protectionism in all areas of trade. However, the MTN and the GATT should not be only concerned with protectionism, but the MTN should arrive at positive results in the area of trade liberalization. He noted that in the case of tariffs, prospects in the MTN for real gains in trade liberalization were in sight. This, however, was less certain in the case of the codes of conduct. Some codes seemed to have a questionable link with trade liberalization, while others appeared to move in a direction which could change the carefully achieved balance of rights and obligations in a way highly disadvantageous to certain countries or groups of countries.

He said that in agriculture, prospects for trade liberalization measures seemed somewhat remote. He stated that the MTN could not be said to produce any balanced and equitable result if specific trade concessions, recognized to be liberalization, were balanced merely by the creation of new and improved consultation mechanisms in agriculture.

He said that in the post-MTN period the GATT should continue to adjust to a new trading environment and to adapt the GATT trading rules as new problems arose. In conclusion, he pointed out that in the MTN the major trading nations had conducted negotiations without all interested parties being fully involved. If this approach was continued, it could lead to a fragmentation of trading rules to the detriment of all countries.

Mr. YEE (Malaysia) said that the world economic outlook continued to be plagued with slow growth prospects, an unstable monetary situation and uncertainty in business confidence. While there was still a basis for developed countries to maintain their standards of living, this situation could have disastrous effects for the developing countries.

He said there was no lack of determination in developing countries to work towards a better way of life, but their efforts had been frustrated by the increase in protectionist barriers against exports from developing countries. The scarcity of foreign exchange was one of the major obstacles to greater economic growth in developing countries. Although assurances had been given by developed countries that they resisted protectionist trends, it was true that throughout the industrialized nations the trend towards protectionism was gathering momentum and there was an increasing readiness in developed countries to extend assistance to domestic industries at the expense of developing countries' exports. He believed that GATT should adjust its rôle in accordance with this new situation.

He pointed out that the developing countries supplied only 2 per cent of the manufactured goods consumed in the developed countries. Even in the case of textiles and clothing, which contributed the most to developing countries' export growth, the low levels of market penetration could only have a negligible impact on the overall industrial structure of the importing countries. Even if imports from developing countries replaced some domestic production in one sector, the growing volume of exports to the developing countries would more than compensate for this in another sector.

He pointed out that in 1975 developed countries imported \$26 billion of manufactures from developing countries and exported \$123 billion of manufactures to them in return. Furthermore, developed countries' net trade in manufactures with developing countries had risen from \$15.8 billion in 1963 to \$98.8 billion in 1976. This showed that developing countries wanted to import more, but they should also be given the opportunity to earn the foreign exchange to pay for the manufactures.

Turning to the MTN, he said that as a result of world economic changes, the situation in trade was now worse than before the Tokyo Declaration. Developing countries like Malaysia had done their best to contribute to the success of the MTN, but a greater degree of transparency was needed, particularly in respect of the negotiations of the codes. There should be a recognition by developed countries that developing countries were doing their utmost in their contributions.

Mr. FARNON (New Zealand) said that the 1970s had seen wide fluctuations in key export prices and very adverse movements in the terms of trade for primary-product-exporting countries like his own. The ability to counter these adverse movements had been made especially difficult by the increasing use of restrictions on access for primary products imposed by some major industrialized countries. He believed that there was a tendency to concentrate on the more recently introduced protectionist policies for certain industrial products. However, the fact that the even stronger and more wide-ranging protectionist measures in the agricultural field had been

in existence for some time did not make them less serious. In addition to various access restrictions, New Zealand had to face subsidized exports by some industrialized countries which maintained their access restrictions. This further limited New Zealand's ability to maintain its export opportunities by subsidized disposals in a considerable number of markets. These policies threatened the economic development of New Zealand. His delegation therefore attached great importance to satisfactory results being achieved for trade in agriculture in the MTN.

Referring to the rôle of the GATT in the years to come, he stressed that trade in agricultural products and its future liberalization should have an appropriate and important place in the work of the CONTRACTING PARTIES.

Mr. TSAO (United Kingdom, speaking for Hong Kong) said that the alternative to a successful conclusion of the MTN was unacceptable and could not be contemplated. A successful conclusion meant that as many developed and developing countries as possible would feel sufficiently satisfied with the overall results. He stressed that what was needed in the conduct of international trade was discipline. He referred, in this connexion, to safeguard action and emphasized that he could not see the need for unilateral, selective import control. High priority should therefore be given to institutional guarantees that no unilateral action could be taken on an arbitrary basis.

Mr. KRZYSZTOFOWICZ (Poland) said that the world economic situation and the developments in the field of international trade were marked by insecurity and difficulties. The process of trade liberalization had been slowed down and protectionism had been on the rise. The GATT had been able to achieve positive results in its struggle against protectionism because the interested governments were aware of the dangers for international trade. He thought that it would not be possible to find solutions in the trade negotiations which would fully meet the needs of each contracting party. He hoped, therefore, that reasonable compromises could be worked out, which would provide the necessary guarantees to each contracting party whether importer or exporter, developed or developing country, market-economy or planned-economy country. Only such solutions could create the conditions for the harmonious development of international trade. In seeking such solutions, one should seriously take into consideration the changes in the world economy and the evolution of commercial relations between the main groups of countries.

Mr. MOHAMMED (Nigeria) stated that the various aspects of trade and other economic relationships between contracting parties were very unsatisfactory. He mentioned particularly the hardship developing countries suffered from the current international monetary instability. Inflation

exported to developing countries through their imports of capital and other goods, had greatly contributed to the economic deterioration in most developing countries and to their balance-of-payments deficits. He expressed regret that despite this situation the developed countries were reluctant to lower their tariffs. He regretted that developing countries were not sufficiently represented in the drafting of various codes under the multi-lateral negotiations. He believed that not sufficient progress was being made on matters of particular interest to developing countries and pointed out that these countries were not well informed on developments on a number of issues.

He was also of the opinion that adjustment mechanisms should have a much wider scope and that there should be more co-operation in the industrial and trade field between industrialized and developing countries, so as to enable the expansion of simple and medium-processing industries in developing countries. Particular attention should be paid in the MTN to the interests of the least-developed of the developing countries. He expressed his appreciation for the existence of the Consultative Group of Eighteen, of which Nigeria was a member and in which frank and meaningful exchanges of views could take place on vital economic issues. He pronounced himself in favour for the continuation of the work of this Group.

Mrs. BRECKENRIDGE (Sri Lanka) expressed misgivings after five years of experience in the multilateral trade negotiations. One could dream that the rôle of the developing countries had changed drastically and that they had formed a cartel, that they were no longer sources of low-cost imports, but efficient producers, that they no longer caused unemployment and disruption but contributed to job creation and increases in standards of living. One could also imagine that developing countries had codes under which they could select those trading partners whom they judged caused disruption, or codes which would allow developing countries to advocate conditional fulfilment of international obligations. She said that these were, of course, hallucinations and one could only hope that some day developing countries could participate in the General Agreement when the ground rules were fully accepted by all contracting parties.

Mr. CHNG (Singapore) said that Singapore depended heavily on external markets. It viewed therefore with concern the growing tendencies of importing countries to adopt protectionist measures. While the MTN had contributed to keeping this trend in check, he hoped that the renewed pledge by the OECD countries in respect of protectionism would be fully honoured.

He said in respect of the MTN that his delegation was concerned over the protectionist approach taken by some of the delegations. He had the impression that developed countries were mainly concerned to protect their markets while seeking openings in the markets of developing countries, including countries which, like Singapore, were already following a free-trade policy. He expressed the hope that the Tokyo Round would in the end provide additional benefits for developing countries as set out in the Tokyo Declaration and would be concluded to the mutual satisfaction of all parties concerned.

Mr. HILL (Jamaica) said that as the Tokyo Round was nearing its end this fact should not be construed as a success. The success of the negotiations would depend on the basis they would set for future trade, financial and development policies. There was a need for concerted action on a wide range of policy measures and it was up to GATT to inspire the necessary confidence, particularly for the small trading nations, that the rules which were being negotiated would be fair to all countries. He believed that a central place should be given in the future work programme to structural adjustments. This would require much more than a declaration. It would require the establishment of a mechanism, so that the developing countries would be assured that the products, in the production of which they had obtained a comparative advantage, would not be barred by the developed countries. He expressed concern that the final package of the Tokyo Round would be incomplete in many respects and might well only reflect the interests of the major trading nations. He stressed that the MTN could not be construed as a success unless it would meet the interest of the majority of the contracting parties. He said that the elements which were being discussed in the Framework Group should have a central place in the final results of the negotiations. It would be important that differential and more favourable treatment for the developing countries would become a reality. He believed also that the Group of Eighteen was a useful forum which should be continued and possibly meet more often. He also believed that the GATT secretariat should play a more effective rôle in the future and he mentioned, in particular, the technical assistance to developing countries in this regard. He further believed that the rôle of the Committee on Trade and Development should be strengthened. Referring to the problem of protectionism, he believed that having prevented protectionism from increasing was not enough. What was required was a more positive approach to trade liberalization and this should result from a serious attempt to define the mechanisms required for positive adjustment.

Mr. AHMAD (Bangladesh) said that the developing countries participated in the negotiations with their developed trading partners, not only to receive benefits, but also to contribute to a new world trading system in

the interest of all. He pointed out that upon examination of the trade flows between developed and developing countries, it became clear that the developed countries had benefited most from this trade. He stated that with a successful conclusion of the MTN and by providing better opportunities to exports from developing countries, the resulting increase in import demand in the developing countries would enable the developed countries to expand their exports to the developing countries.

In conclusion, he said that a specific issue of vital importance to Bangladesh and to the other least-developed of the developing countries was the question of special treatment in their favour. Definite commitments were made in this respect in the Tokyo Declaration. He expressed the hope that the international trading community would respond favourably to these needs of the least-developed countries.

Mr. ELIASHIV (Israel) said that the current world economic situation, the increasing uncertainties in the monetary and trade fields, the inflation, stagnation and unemployment, as well as protectionist measures, were a source of great concern to contracting parties and in particular to developing countries. Developing countries were dependent for their continued growth on a rapid expansion of their trade with the developed countries. The developed countries needed the exports of the developing countries, which in turn were dependent on their export income to finance their economic progress. He said that this mutuality of need made it absolutely necessary that problems in the monetary, trade and finance spheres should be resolved in a co-ordinated manner with the full participation of the developed and developing countries.

He stated that Israel, as a developing country, attached great importance to the expansion of trade among developing countries. He recalled that Israel had been among the first countries to sign the Protocol Relating to Trade Negotiations Among Developing Countries. Israel was, therefore, in favour of increasing the number of participants and the product coverage of the scheme and of including non-tariff barriers in a new round of trade negotiations among developing countries.

Turning to the MTN, he was trustful that the special and differential treatment for all developing countries would be implemented as provided in the Tokyo Declaration. He said that in this way the MTN could achieve greater liberalization of world trade with the aim of improving the standard of living and welfare of all the people of the world. He said that the post-MTN period was not less important for the GATT, as a work programme adjusted to the new requirements should be established. This

programme should not be limited to the implementation of the agreements resulting from the MTN but it should be widened to cover all aspects of trade policy. He expected that in this respect the rôle of GATT would increase substantially.

The CHAIRMAN, in bringing the discussion on Activities of GATT to a close, noted some of the points which were highlighted during the discussion.

Many speakers had emphasized the difficult economic background to the work of the CONTRACTING PARTIES and the increased pressures for protection which had arisen. Many delegations whose exports had been adversely affected had referred to specific difficulties which they faced and a number of sectors had been picked out for special mention in this regard. Some of these sectors were of particular interest to developing countries and it had been emphasized by several speakers that measures of restraint applied in these sectors were not only hampering the development efforts of many of the poorer contracting parties, but impeded the contribution that these countries could make to world economic activity. It had been generally recognized that the international trading system had come under increasing strain since the last session of the CONTRACTING PARTIES. Many delegations had, however, emphasized that on the whole the system had withstood the shocks to which it had been subjected.

He said that delegations had also stressed that international co-operation was necessary if the economic climate was to be improved and the adjustment process to work smoothly. Many delegations had stressed the need for countries to facilitate rather than impede the structural adjustment desirable if pressures for protectionist measures were to be avoided, and it had been suggested that this issue should feature prominently in the future work of GATT.

A number of speakers had also referred to the difficulties created for international trade by the monetary uncertainties.

Many speakers who had said that the Multilateral Trade Negotiations were an essential element in their overall economic strategy, had emphasized that the main immediate task was to bring these negotiations to a satisfactory conclusion, representing a balanced package in all areas, with the active co-operation of all participants, and they had pledged their willingness to play a full part in bringing this about. He thought that there was also general agreement that in the final stage of the MTN particular attention should be given to the interests of the developing countries, including the least-developed countries.

It had also been emphasized that it would be important, once a satisfactory conclusion had been reached, to secure the full and prompt implementation of the results of the negotiations.

He pointed out that speakers had also referred to the need to make an assessment of the results of the negotiations at a proper time so that unfinished tasks could be identified. References had also been made to the necessity for the GATT to evolve to meet the needs of a changing world. The implementation of the codes under negotiation would be a major contribution to this end, but speakers had also emphasized the need for further efforts directed towards trade liberalization. Many speakers had furthermore emphasized the importance of ensuring that the work of the Committee on Trade and Development was continued and strengthened.

He had noted a general appreciation of the work of the Consultative Group of Eighteen in facilitating high-level international consultation on trade policies; there was a widespread view that this aspect of GATT activities should be strengthened in the future and several specific proposals were made in this regard.

He said that suggestions had also been made for ensuring that the secretariat's resources were tailored to meet the demands made of it.

In connexion with the future work of GATT, he had noted that a number of developing country delegations had referred to the contribution that the expansion of trade among developing countries could make in the context of the Protocol Relating to Trade Negotiations Among Developing Countries. The hope had been expressed that an early decision would be made on the holding of a further round of trade negotiations among developing countries. It had been proposed that, as a matter of some urgency, a concrete work programme should be established covering these issues. Specific suggestions had also been made with regard to the date and agenda of the next session. All who spoke on this point had agreed that it was necessary to put the necessary work in hand. However, the suggestions made had differed. He believed that it would become clearer during the next few weeks what more precisely was required as the Multilateral Trade Negotiations approached their end. He stated that the Director-General would occupy himself with this matter and make appropriate proposals.

Having concluded the general discussion on Activities of GATT, the CONTRACTING PARTIES adopted the report of the Committee on Trade and Development (L/4721).

2. Date of the thirty-fifth session

The CHAIRMAN proposed, bearing in mind the possibility for the Council to fix the dates and the duration of the next regular session of the CONTRACTING PARTIES with greater precision in the course of the year, and even to modify the dates, if circumstances made this desirable, that the thirty-fifth session be held at about the same time as the present session.

The CONTRACTING PARTIES agreed that the thirty-fifth session be held in the week beginning 26 November 1979 and that the Council be authorized to fix the opening date and the duration of the session in the course of next year.

3. Election of officers

The following nominations were made:

Chairman of the CONTRACTING PARTIES:	Mr. J.J. Real (Uruguay)
Vice-Chairmen of the CONTRACTING PARTIES:	Mr. J.N. Feij (Netherlands)
	Mr. M. Hamza (Egypt)
	Mr. Z. Krzysztofowicz (Poland)
Chairman of the Council of Representatives:	Mr. E. Farnon (New Zealand)
Chairman of the Committee on Trade and Development:	Mr. P. Kumar (India)

4. Closure of the session

The CHAIRMAN expressed his thanks to the delegations for the useful way in which they had contributed to the session. He said that many serious remarks had been made during the debates about the revival of protectionism as well as many hopeful words as to the outcome of the Tokyo Round negotiations. The answers to these developments would be provided in the coming year. He stated that the CONTRACTING PARTIES would be called upon to play an important rôle once the Tokyo Round was concluded.

Mr. REAL (Uruguay) thanked the CONTRACTING PARTIES for his election and particularly the delegations that had nominated and supported him. On behalf of the CONTRACTING PARTIES he also thanked Mr. de Geer, the outgoing Chairman, for the manner in which he had carried out his functions.

The session closed at 5.40 p.m.