

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.36/2

9 January 1981

Limited Distribution

CONTRACTING PARTIES
Thirty-Sixth Session

Page 15

SUMMARY RECORD OF SECOND MEETING

Held in the Palais des Nations, Geneva,
on Tuesday, 25 November 1980, at 10.30 a.m.

Chairman: Mr. ERIK NETTEL (Austria)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Report of the Council, continued	15
2. Activities of the GATT	18

1. Report of the Council, continued (L/5072 and Corr.1)

Item 13(b) - Indonesia - Renegotiation of Schedule

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex II of the Report of the Council be adopted by the CONTRACTING PARTIES.

The decision was adopted by 56 votes in favour and none against.

Item 13(c) - Pakistan - Renegotiation of Schedule

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex III of the Report of the Council be adopted by the CONTRACTING PARTIES.

The decision was adopted by 53 votes in favour and one against.

Item 13(d) - Uruguay - Import surcharge

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex IV of the Report of the Council be adopted by the CONTRACTING PARTIES.

The decision was adopted by 54 votes in favour and none against.

Item 14(a) - United States - Agricultural Adjustment Act

Mr. DONOVAN (Australia) recalled the concerns expressed by his delegation in the Council at the continued lack of adjustment in the United States dairy industry. He drew attention to the United States suggestions that a number of questions raised during the deliberations of the Working Party could be dealt with more appropriately at the next annual review.

He also observed that, while remaining critical of the lack of liberalization of United States import quotas, the United States system was at least transparent and subject to regular examination by the CONTRACTING PARTIES, which was not the case with some other major dairy consuming and importing countries.

Item 16 - Provisional accession of Colombia

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex V of the Report of the Council be adopted by the CONTRACTING PARTIES.

The decision was adopted.

Item 17 - Egypt - Economic Development Tax

The CHAIRMAN drew attention to the recommendation of the Council that the draft decision reproduced in Annex VI of the Report of the Council be adopted by the CONTRACTING PARTIES.

The decision was adopted.

Item 21(e) - Committee on Budget, Finance and Administration

The CONTRACTING PARTIES adopted the report of the Committee on Budget, Finance and Administration (L/5044), including the recommendations contained therein and the Resolution on the expenditure of the CONTRACTING PARTIES in 1981 and the ways and means to meet such expenditure.

Item 11(r) - Norway - Restrictions on imports of certain textile products

Mr. LANGELAND (Norway) recalled that in June 1980 the Council had considered the Panel Report (L/4959) on Norway's Article XIX action on certain textile products and had taken a decision, one important element of which was the appeal to the two parties to intensify their efforts to reach a mutually acceptable agreement. Thereafter, the Director-General had initiated the consultations with the two parties. He said that if the final outcome was not what had been aimed at, this was no reflection on the intensity of the efforts made by the two parties.

He stated that another important element in the Council decision was the recommendation to Norway to make its Article XIX action consistent with Article XIII as soon as possible. He recalled his delegation's having pointed out in the Council on 10 November 1980 that when taking the decision on Norway's import régime for 1981, Norway would take fully into account the Council decision as Norway understood it. On 17 November 1980 the Norwegian Government had decided to prolong its Article XIX action for one year, i.e., the calendar year 1981 and, in so doing, it had taken into account the said Council decision.

In reverting to the bilateral agreements which Norway maintained with six Asian developing countries, he said that Norway was of the opinion that no useful purpose would be served by discontinuing these agreements, and that this would be in line with the statements made by his delegation in the Council meetings in June and November 1980.

Mr. McPHAIL (United Kingdom, speaking for Hong Kong) said that his delegation had taken note of the comments made by the Norwegian delegation, and expressed regret that the consultations had not resulted in a mutually acceptable agreement. He wished to make it clear that it had never been the intention of Hong Kong to upset the six bilateral agreements between Norway and the six developing exporting countries. Hong Kong had taken note of Norway's interpretation of the Council decision of June 1980.

Regarding the adverse effects of the Norwegian action for 1981 on Hong Kong's exports, his delegation reserved its rights under Article XIX.

Item 11(a)(ii) - European Communities - Refunds on exports of sugar
- Recourse by Brazil

The CHAIRMAN drew attention to the draft decision contained in document W.36/2, as follows:

- (a) With regard to the report of the GATT Panel entitled "European Communities: Refunds on Exports of Sugar, Complaint by Brazil" (document L/5011) adopted by the Council on 10 November 1980, and considering the conclusions of the Panel (paragraphs (f), (g) and (h)), and considering as well the debate which took place in the Council, the CONTRACTING PARTIES request the EEC to discuss with them the possibility of limiting the subsidization.
- (b) The Director-General is invited to organize such discussions in a working party and to submit a report to the Council within three months.

The CONTRACTING PARTIES adopted the decision.

The CONTRACTING PARTIES adopted the Report of the Council (L/5072 and Corr.1).

2. Activities of the GATT

The CHAIRMAN said that under this item contracting parties could make general statements in which they could review major developments since the last session. The CONTRACTING PARTIES would consider the report of the Co Committee on Trade and Development (L/5074) and the Reports relating to the Agreements and Arrangements resulting from the Multilateral Trade Negotiations.¹

The CHAIRMAN recalled that when the CONTRACTING PARTIES had agreed on the GATT Work Programme (BISD 26S/219) at their last session, the Director-General had been requested to consult with interested delegations on questions relating to trade in agricultural products and to report thereon to the next regular session of the CONTRACTING PARTIES.

Mr. DUNKEL (Director-General), in introducing his Report on consultations on a Multilateral Agricultural Framework, recalled that the Trade Negotiations Committee had recommended to the CONTRACTING PARTIES in April 1979 to develop further active co-operation in the agricultural sector within an appropriate consultative framework. In November 1979 the CONTRACTING PARTIES had requested the Director-General to consult with interested delegations on this matter and to report to the next regular session of the CONTRACTING PARTIES.

He said that, in accordance with this request, he and the secretariat had consulted over the past months with a large number of delegations, and that it appeared that there was complete agreement that the GATT must respond constructively and adequately to the recommendation of the Trade Negotiations Committee and that it must deal effectively with the substance of agricultural trade problems.

He mentioned that the GATT was already heavily involved in matters of agricultural trade. In addition to the Dairy and Meat Arrangements, several of the MTN Agreements were relevant to agriculture; and there were a number of panels dealing with agricultural problems. This, however, was not enough; a more general forum was needed in the GATT for the discussions of agricultural trade, with a view to preventing difficulties from reaching the stage of disputes and to pursuing and maintaining agricultural trade policies consistent with the objectives and principles of the GATT.

¹International Meat Council (L/5050), Committee on Anti-Dumping Practices (L/5052), Committee on Subsidies and Countervailing Measures (L/5055), International Dairy Products Council (L/5057), Committee on Technical Barriers to Trade (L/5068), Committee on Import Licensing (L/5070) and Committee on Trade in Civil Aircraft (L/5075).

The conclusion which had thus emerged from the consultations was the need for a forum where officials responsible inter alia for agricultural trade policy could meet to address themselves frankly and openly, and in a substantive manner, to issues relating to agricultural trade. He stated that a further conclusion which had emerged from the consultations was that the Consultative Group of Eighteen, which had only recently become a permanent part of the GATT structure, provided a forum of this kind. He said that the Consultative Group was fully competent to deal with agricultural trade issues and that it should be used for this purpose.

He then referred to the Mandate of the Consultative Group, which required it to take into account the special characteristics and requirements of the economies and problems of developing countries. Any contracting party had the opportunity to present its views when a matter of particular importance to it was under discussion. The Consultative Group did not, however, impinge upon the competence, authority and responsibilities of other GATT bodies. It was also noteworthy that the Consultative Group met periodically as necessary and that it was required once a year to submit a comprehensive account of its activities to the Council. He said that in order to deal with agricultural issues in depth, the Consultative Group would have to provide sufficient additional time, and its meetings would need to be extended for this purpose.

In the light of the foregoing, he proposed that the CONTRACTING PARTIES request the Consultative Group of Eighteen to provide adequate additional time in its future meetings for the review of matters affecting agricultural trade and for the receipt of information on activities in the agricultural sector which the secretariat had followed.

The Chairman suggested that the CONTRACTING PARTIES might act on the Director-General's proposal at the end of the discussion on the Activities of the GATT.

Mr. HILL (Jamaica) recalled the statement by his delegation at the thirty-fifth session in relation to the implementation of the Multilateral Trade Negotiations, and said that it would have been useful to have a somewhat longer time provided at the present session to discuss and exchange views on how effective the Tokyo Round results were in respect of international trade and how they affected the trade of developing countries. In his view, the customs tariff cuts had not been such as to provide developing countries with considerable benefits, because the rates of duty had already been at relatively low levels as a result of earlier rounds. It remained for the developed countries to undertake the necessary steps in respect of non-tariff barriers in order to provide freer access to their markets for the products of developing countries.

Referring to the GATT Work Programme, he recalled the discussion in the Council prior to its adoption at the thirty-fifth session, and called attention to the CONTRACTING PARTIES' having reaffirmed their responsibility for overseeing the operation of the system as a whole and taking action as appropriate. In this context he drew attention to the statement made on behalf of the developing countries at the thirty-fifth session by Mr. Jaramillo (Colombia) and by representatives of developing countries including his own. He said that the points raised therein remained valid and worthy of continued attention.

He recalled further that the GATT Work Programme had been designed not only to implement the results of the Tokyo Round, but also to continue work on attaining its objectives. For developing countries this meant assuring additional benefits for their international trade. He felt that much still remained to be done to achieve this goal. Speaking for his delegation, he felt that advance implementation of tariff reductions on his country's exports to its major trading partner would offer tangible benefits.

He then mentioned the separate headings of the GATT Work Programme and said in particular that more needed to be done in the context of the Framework texts, especially the "enabling clause". With reference to Agriculture, he referred to the Director-General's statement, indicating that this reflected some progress, though it was not as much as his delegation would have wished, bearing in mind his statement at the thirty-fifth session. In regard to trade liberalization, he suggested that this matter be pursued more actively in the Committee on Trade and Development along lines of the Committees and Councils charged with implementing certain MTN Agreements. He also suggested that the Committee on Trade and Development meet more often than only twice a year, so that individual items could be given more focus, thus speeding up the pace of trade liberalization. Informal discussions might take place after this session in order to find appropriate ways for implementing these suggestions.

Turning to structural adjustment, he considered that some progress had been made, but again not to the extent expected by his delegation. Other items in the GATT Work Programme had been discussed in the Consultative Group of Eighteen and they would have to be discussed at the appropriate time in other relevant bodies of GATT. In general, he considered that the way in which the GATT Work Programme had been implemented was not fully satisfactory.

He was also of the opinion that the rules and procedures for the participation of developing countries as observers in the MTN Committees and Councils were not satisfactory, because his delegation viewed the GATT not

only as a treaty but also as a forum in which the complex trade issues were discussed. It therefore required a great deal of transparency. In his view, the Council should be the appropriate body for the review of the Reports of the MTN Agreements and Arrangements so that a fuller exchange of views would be possible. The system could thus become more transparent, coherent, consistent and unified. Furthermore, he believed that the resort to restricted meetings should be severely limited, and that fuller reporting should take place so that developing countries which were not yet in a position to participate in the MTN Agreements and Arrangements could be convinced of the advantages of joining them.

With reference in particular to the Council of the International Dairy Arrangement, he mentioned that three Committees had implemented certain provisions dealing with pricing. He regretted that the minimum prices under the Arrangement had been increased in some cases by nearly 20 per cent, and asked the members of that Council to refrain from taking such steps until other consumer members could join the Arrangement and participate in the decision-making process so as to fully reflect producer and consumer interests.

Mr. MACIEL (Brazil) said that he wished to focus his remarks on the effects of the world economic crisis on the Brazilian economic and trade situation, and on the implications of this crisis for the major activities of GATT in the year to come. He said that the Brazilian economic situation had been deeply affected by the present crisis, as had that of most developing countries. This had contributed to the repeated imbalances to which the Brazilian balance of payments had been subjected in the recent past. It was again anticipated that the trade and current accounts would close with considerable deficits for the current year, caused by the impact of the rising cost of energy and of inflation imported from abroad. Despite one of the worst trade deficits in its history, however, Brazil had not compromised its commitments to an open trading system. Capital imports from abroad, based on confidence in the medium- and long-term prospects of the Brazilian economy and its resources, had contributed towards making it possible for the Government to take the necessary measures to shore up the short-term difficulties.

He said that the measures taken for balance-of-payments reasons had been the strict minimum required to face the adverse effects of the world economic situation, and that it was in Brazil's interest to maintain the flows of imports for the sake of longer-term growth of the economy as a whole. However, to keep open this flow of imports, it was essential to keep open the flow of Brazil's exports. He said that Brazil had succeeded in increasing its exports, notwithstanding restrictive actions taken against

them by industrialized nations, but given the usual limitations to greater access to foreign savings, an expansion of the export revenue became a crucial factor for securing greater stability for the balance of payments. The imposition of protectionist measures, and the constant and increasing threat thereof, had hindered the flow of Brazilian exports to industrialized nations with self-defeating effects, since the Brazilian market for the exports of capital and other goods from those same nations was just as important to their economic recovery as their market was to Brazil's economic survival in an open trading system. He expressed hope that the new GATT would now be able to help all of the contracting parties. He stated that it was obvious that, in the present world economic situation, the central rôle of GATT resided in the fight to stop protectionism. In this connexion, it was the responsibility of GATT to deal with the trade aspects of structural adjustment in order to preserve, with the help of appropriate structural adjustment policies and measures, an open trading system and to prevent the recourse to protectionist measures. Its purpose was not to serve as a pretext to justify postponement of measures for trade liberalization.

He said that trade was not the principal cause for the difficulties that industries in the developed world faced today, and that it was fallacious to claim that exports from developing nations, which still accounted for a minute share of total imports in industrialized markets, were at the root of the decline of domestic industries. Other factors such as productivity, technology, changes in consumer preferences, inflation and changing patterns in the international division of labour were the ones that had to be taken into account in adapting industries in today's economic realities.

He said that it was still more important for GATT in its fight against protectionism to resume and complete negotiations for an agreement on safeguards and for the dismantling of residual non-tariff barriers. These instruments, combined with the proper implementation of the results of the Tokyo Round, might provide GATT with the necessary mechanisms to face a period which was going to be critical to the system as a whole.

Be believed that the new procedures for consultation, dispute settlement and surveillance were an effective means for joint collaboration towards the common goals of trade expansion and liberalization. This was particularly important in cases of arbitrary discrimination in trade restrictions and of unfair competition in agricultural exports, where out-dated provisions of GATT were still applied. He stressed that these procedures should be respected, and that they must be seen as a means to avoid confrontation between nations, and not as a form of confrontation.

Mr. SUZUKI (Japan) said that protectionist movements were rising over the horizon in various parts of the world, reflecting the difficult economic situation the international community now faced. Under these circumstances

the GATT had an increasingly greater rôle to play as a body concerned with overcoming international trade problems and improving world trading opportunities.

He stated that after a year since starting to implement the MTN results it was important for the CONTRACTING PARTIES to affirm their will to make collective efforts to strengthen the GATT system further, substantiated by the MTN Agreements, thereby contributing to containing protectionist movements and to maintaining and further developing the free and open world trading system.

He said that by April 1980 Japan had accepted all the MTN Agreements and had since been implementing faithfully those Agreements which had already come into force. With regard to those which were yet to take effect, namely the Customs Valuation Agreement and Protocol as well as the Government Procurement Agreement, he mentioned that Japan had completed the required domestic legislative process. Those Agreements would be implemented faithfully as soon as they became effective.

Turning to the tariff aspects, he stated that his country had implemented the first tariff reductions in accordance with the Geneva (1979) Protocol on 26 April 1980. In addition, as a voluntary measure, Japan had carried out tariff reductions from the applied rates effective as from 1 April 1980 with respect to more than 70 per cent of approximately 2,600 items for which Japan's MTN tariff concessions were made. Most of these already included the reduction for the second year.

He said that his delegation was of the view that full implementation of the MTN results by all parties concerned was most crucial, and that by so doing, they could contribute to the development of world trade, including the trade of developing countries. He expressed the hope that the various Agreements would be acceded to by as many more countries as possible, and particularly by developing countries.

He expressed regret that some countries still maintained discriminatory quantitative restrictions against Japan. Since it was clear that such discriminatory practices were not only prejudicial to the rights of Japan under the GATT but also detrimental to the future evolution and strengthening of the GATT system, he urged those countries concerned to abolish such discriminatory practices promptly.

In conclusion, he turned to the anti-dumping measures which were either taken or under study. He reiterated Japan's view that anti-dumping measures should not constitute an unjustifiable impediment to world trade, and that anti-dumping régimes and operations thereof for member countries should be strictly in line with the General Agreement itself and the Anti-Dumping Code.

Mr. CHORAFAS (Greece) noted that the current session of the CONTRACTING PARTIES was taking place in a period when one decade was giving way to the next. It was natural, therefore, that each participant should try to take stock of the 1970s and think about what the 1980s had in store.

The record of the past decade was unfortunately somewhat clouded by the recession and stagnation in the world economy. The effects of the recession were uneven. They varied according to the degree of vulnerability of economies, having the greatest impact on the countries that were least advanced and lacked energy resources. The decade of the 1980s was therefore starting with uncertain prospects and under auspices pointing to a period of grave difficulties for the world economy and of heightened international constraints. For that reason, the CONTRACTING PARTIES should again call for more rapid growth and appropriate action to bring the world economy out of its current state of stagflation, of which the developing countries were the main victims.

The Agreements concluded at the end of the Tokyo Round offered very good possibilities for liberalizing world trade; but the way in which individual countries, in particular developing countries, could exploit those possibilities would depend on how the Agreements were implemented and on a successful outcome to efforts in the key sector of safeguards. Such implementation of the results of the Tokyo Round would help to mitigate the remaining controversial issues which were giving rise to apprehension on the part of certain countries, particularly the developing countries. The latter, which were receiving special and differential treatment, would derive more appreciable advantages if they signed the various codes, which provided that only signatory countries could participate in their surveillance and implementation. Active participation of all countries in international trade was of universal importance.

His delegation was gratified by the work done by the Committees and Councils established to supervise the implementation of the various Agreements. As a member country of the European Economic Community, as from 1 January 1981, Greece would also be participating in those Agreements in accordance with the conditions and provisions stipulated in the treaty for its accession to the EEC.

His delegation believed that the activities of GATT should be mainly oriented in the following directions: combating protectionism in order to prevent trade frictions; expansion of trade among developing countries through a new round of trade negotiations among them; privileged treatment in favour of the least advanced countries; contribution to the North-South dialogue; and the elaboration of structural adjustment policies.

In conclusion, he stressed that GATT was the most appropriate institutional framework for attaining those objectives and in particular for effecting the fundamental transformations necessary in the current context of international trade, in order both to speed up the progress of the developing countries and to ensure smooth functioning of the world economy and its adaptation toward new long-term equilibria.

Mr. EL REEDY (Egypt) said that eighteen months after the conclusion of the Multilateral Trade Negotiations, developing countries in particular felt that the negotiations had not fulfilled all the objectives set out in the Tokyo Declaration. In his view, additional benefits for the trade of developing countries could hardly be identified or were of a modest magnitude. The absence of a safeguard code affected the overall balance; and the lack of real progress achieved in the Committee on Safeguards had created uncertainty among developing countries as to whether they should accede or not to the various MTN Agreements. He felt that no progress would be possible without having the adequate political will from the major trading partners.

His delegation shared the view that the MTN tariff concessions had resulted in the erosion of certain benefits already accrued to developing countries under the Generalized System of Preferences. This should be remedied promptly, not only by introducing wider coverage and/or deeper tariff cuts in favour of developing countries' exports, but also by the elimination of quotas and tariff quotas impeding those exports.

He said that the most serious obstacle to the export trade of developing countries were quantitative restrictions, and expressed the hope that the process of updating the inventory of quantitative restrictions and other non-tariff measures would soon be finalized so that a special committee could be set up with a mandate to deal efficiently with this question.

He mentioned that during the 1970s the developing countries had been able to make some slight shifts in their exports from primary commodities into manufactures. This shift could have been of greater magnitude had it not been for the trade barriers the developing countries were constantly confronted with, which hit them more severely than others, particularly in a sector such as textiles.

As regards the least-developed countries, he recalled that his delegation had supported from the beginning the establishment of the Sub-Committee on Trade of Least-Developed Countries. He expressed satisfaction at the functioning of the Sub-Committee, whose work programme, as outlined by the Director-General, represented a good start.

He said that there was still considerable scope for advanced implementation of MTN tariff concessions and for further liberalization of trade in areas of export interest to developing countries. His delegation had also noted the progress achieved by the Consultative Group of Eighteen in respect of general issues of structural adjustment and trade policies, and would be in favour of establishing a working party to elaborate and report on specific proposals for future work in this regard.

He pointed out that the non-relaxation of quotas on imports from developing countries, particularly in respect of textiles, would undoubtedly aggravate the economic problems for all trading partners, developed and developing alike, during the present crisis. The textiles industry represented par excellence the most important industrial sector in the developing countries in respect of employment and production; and textile export earnings accounted for a large part of aggregate demand for capital goods manufactured by developed countries. He was of the opinion that any further slackening in this demand would bring about adverse results for the world economy as a whole. The gravity of this situation required solutions and remedies proportionate with the magnitude of these problems. International efforts should be strengthened to help overcome the effects of the recession in the interest of all.

Mr. KAARLEHTO (Finland), speaking on behalf of the four Nordic countries, Iceland, Norway, Sweden and Finland, said that continuing inflationary pressures, high and rising unemployment, rising energy costs, signs of declining productivity, severe adjustment problems, soaring balance-of-payments problems both in developed as well as non-oil-producing developing countries all gave rise to pressures to the world trade system. In a situation like this protectionist pressures were likely to persist.

He stated that for the Nordic countries, heavily dependant on foreign trade, an open, liberal trading system and an open, favourable trading climate were a necessity. However, this was not only beneficial to a limited number of countries, but in fact for all countries.

Turning to the implementation of the results of the Tokyo Round Agreements, he said that there had been a satisfactory beginning. The industrialized countries, but for a few exceptions, had accepted the Agreements and were adjusting their internal legislation accordingly. He expressed satisfaction that the governing bodies of the various Agreements were now established. Moreover, useful discussions had been held in the meetings of these bodies, with special mention to be made of the Agreement on Technical Barriers to Trade, where the work has advanced especially fast.

He stated that the Nordic countries welcomed especially the fact that a number of developing countries had also accepted the Agreements and were participating in the work of the Committees and Councils. He expressed the hope that still further developing countries would find it in their interest to participate actively in the Agreements. In the area of safeguards, the Nordic countries reaffirmed their commitment to strive actively for an early solution. He said that the Nordic delegations had often stressed the need to strengthen the procedures and disciplines as regards all types of safeguard actions, and that they were ready to take part in intensified efforts to find areas and forms for an equitable and generally satisfactory agreement. He added that all participating countries had a responsibility in finding avenues towards such a solution.

He said that while the effective and faithful implementation of the results of the MTN remained the first priority in the GATT Work Programme adopted the previous year, several other important items were also included in it. The Nordic countries attached considerable importance to the GATT Work Programme as a whole. In this connexion, the continuation of trade liberalization was an important task. While this would take place primarily through the implementation of the MTN results, fruitful preliminary discussions had also been held on other aspects, and the Nordic countries were ready to continue along this path. Concerning another important topic, structural adjustment, he said that problems in this area affected the world economy as a whole. The Nordic delegations therefore welcomed the establishment of a working party on this matter.

In conclusion, he wished to stress the relevance of the GATT Work Programme to all contracting parties, both developed and developing. He said that the strengthened rôle of the Committee on Trade and Development, with its new Sub-Committees, reflected the fact that the specific problems of the developing countries were gaining larger attention in the GATT framework. This positive development had further affirmed the conviction of the Nordic countries that the GATT was the most effective and practical forum to deal with the specific market access questions between developed and developing countries.

Mr. SANGJIN CHYUN (Korea) expressed concern over the possibility that some of the Tokyo Round Agreements would fail to attract wider participation. He said that serious thought should be given to the reasons for this, and that it should be pointed out that the Agreements contained many ambiguities which invited arbitrary interpretation of certain key and vital provisions. Therefore, contracting parties should once again commit themselves to adhere strictly to the spirit and letter of the MTN Agreements.

He stated that another issue to which his delegation attached considerable importance was the dispute settlement mechanism. Thirteen panels during the interval between two sessions seemed to be unprecedented in GATT history, and eloquently indicated the greater use of the mechanism. It therefore seemed imperative that the contracting parties do their utmost to strengthen the dispute settlement mechanism; and to this end, the findings and conclusions of panels should be honoured by the parties to the disputes.

He recalled his delegation's having stressed for a long time the importance of structural adjustment, and said that the decision to establish a working party was an encouraging development.

The most important issue, however, was the protectionist trade policy of the developed world. As of the end of 1979, some 37 per cent of Korea's exports to developed economies, or \$4 billion out of \$10.8 billion, were subject to various import restrictions, having risen progressively from \$1.7 billion in 1976. These figures proved the rising protectionism applied

against his country. His delegation shared the view that protectionist pressures were so strong that if countries did not move forward they would surely move backward. In his view, no substantial progress had been made against the protectionist pressures. While the establishment of the Sub-Committee on Protective Measures would serve as a positive step to monitor and contain protective actions, the mere establishment of any such mechanism could not contain protectionist tendencies. Developed countries should review all their current protective measures with a view to finding possibilities for their removal or relaxation and report to the GATT the results of the review. He added that protective measures were undeniably maintained to nurse uncompetitive domestic industries, even if the justification for the measures had been lost.

Related to this crucial area of protectionism, he said that there were two important tasks to be tackled in 1981, namely: the negotiations on a new textile arrangement and on safeguards. As these were very closely interrelated, an attempt should be made to advance in both negotiations with extreme care and consummate skill. Since the immediate concern of most developing countries was the textile negotiations, and in view of the importance of textile exports to most developing countries, he urged developed countries to use their political will and to comply further with what developing countries were seeking in a new textile arrangement. He felt that any failure in the textile negotiations would have a serious impact on the basic framework of the GATT.

As regards the negotiations on safeguards, he said that these would continue to be of great concern for all developing countries, particularly in the light of the implications on their future trade relations with the developed countries. He stated that strict criteria, discipline and surveillance should be the key elements of the new safeguards code and that any attempt to bring into the code such mechanism as unilateral, abusive and arbitrary application, should be rejected.

Mr. JAYASEKERA (Sri Lanka), referring to the Report of the Committee on Trade and Development and specifically to the work on trade liberalization for tropical products, expressed the view that the MTN concessions were far from adequate and should only be considered as a first instalment of concessions. In his view, tropical products was an area which lent itself particularly well to special and differential treatment, since the bulk of world production of tropical agricultural products occurred in developing countries.

He said that his delegation had consistently raised this matter and therefore welcomed the decision of the Committee on Trade and Development that work on tropical products should proceed on a step-by-step basis, expressing the hope that the strides would be larger than before.

He also welcomed the work which had been launched in the Sub-Committee on Protective Measures to review and examine new protective measures affecting products of trade interest to developing countries.

Finally, referring to the Committees set up under the MTN Agreements, he recalled that the decision of the CONTRACTING PARTIES "to oversee the operation of the system as a whole" had placed the Tokyo Round package squarely within the GATT. This meant that GATT existing rights and benefits, including those under Article I, of contracting parties not parties to these Agreements were not affected by them. As most of the developing countries were still not signatories to the various Agreements, they participated in the Committees, if at all, as observers. He said that as in the implementation of the Agreements, the voice of the observers did not carry much weight in the Committees. This left unanswered the question as to the exact rights of the non-signatory contracting parties. He felt that his country, which had been a contracting party for more than thirty years, was placed in a more disadvantageous position vis-à-vis a non-member of the GATT which had joined the Agreements and had become a member of the Committees. He considered this to be an anomalous situation in GATT.

Mr. O'BRIEN (New Zealand) recalled his delegation's having expressed disappointment at the thirty-fifth session at the failure in the Tokyo Round to grapple effectively with agricultural protectionism, and having fore-shadowed that GATT must watch carefully and work to build further on the MTN results. He said that over the past twelve months GATT had moved in a critical direction. While there had been some perceptible increase in the time given for discussion of agricultural trade problems, this had stemmed in part from an upsurge in the use of GATT dispute settlement mechanisms. In representing a country which was a member of the International Dairy Arrangement and a leading world dairy trader, the New Zealand delegation had listened carefully to the remarks made by the representative of Jamaica, and was looking forward to developing further the dialogue within the framework of that Arrangement.

His delegation supported the outcome of the Director-General's consultations concerning GATT's involvement in increasing co-operation towards further developing agricultural trade. However useful, this was just a beginning; and there was need for an institutional modification that should provide an opportunity for consultation on agricultural trade problems. There still existed many unresolved problems, including the key issues of market access and stability in agricultural trade, which now had to be addressed. The Consultative Group of Eighteen obviously had an important function in this direction; however, while it was essential, more than consultation was required. The political will to solve renewed problems remained the key issue; and in the final analysis, GATT was by definition and in practice much more than a forum for consultation alone.

Overall, his delegation could see signs that GATT was growing and changing in response to the challenges remaining before it. However, any institutional arrangements now devised must prove themselves. He referred in this respect not only to the Consultative Group of Eighteen, but also to the MTN Agreements and the other specific commodity agreements and to the dispute settlement procedures. He fully supported the remarks made by the representative of Korea on the question of preserving the integrity of those procedures.

He concluded by stating that for New Zealand and for many other smaller contracting parties with agricultural trade interests, there was a paramount need to address agricultural trade problems in a real and effective way.

Mr. JACOBI (Switzerland) said that since the end of the Tokyo Round, GATT activities had centred on two essential elements, namely implementation of the results of the Multilateral Trade Negotiations and definition of the tasks that lay ahead for the CONTRACTING PARTIES.

He said that with respect to implementation of the results of the Tokyo Round, a great deal had been achieved in the past year by many countries in assuming the commitments agreed to; but much remained to be done. It must become customary practice to use the instruments resulting from the Tokyo Round, and to use them to good purpose. At the current juncture, it was of prime importance to confirm the commitments entered into and clearly to reaffirm the will to abide by them, while hoping that more and more countries could become signatories so as to have the benefit of the Agreements from the inside, so to speak, as responsible and full partners.

He stated that such implementation - and even utilization to optimum effect - of the existing commitments was one of the essential conditions for maintaining the open trading system governed by the General Agreement in pursuance of the rules and principles of that instrument, as henceforth clarified by the various Agreements concluded in the framework of the Tokyo Round. Everything must be done to consolidate what had been acquired and to supplement it wherever necessary. The GATT Work Programme set the CONTRACTING PARTIES along that path, clearly indicating the direction to be taken.

He said that one area of GATT activities concerned improvement of the discipline and rules of conduct to be observed by contracting parties. A matter of major concern in that context was that of safeguards, where an equitable arrangement was needed within a reasonable time. The problem of structural adjustments was closely linked to that of safeguards - and in the absence of relevant rules, at the practical level. It seemed to him well-advised, therefore, for a working party to examine the nature and objectives of any GATT activities in that area. At the extreme limit, structural adjustment could imply transferring production from one country to another; that was only tolerable if the former was assured of being able to acquire the products it was no longer manufacturing on terms at least as favourable

and as stable as before. Closer understanding of the disciplines to be observed in the matter of export restrictions then became increasingly necessary. Finally, discipline in that area was the essential corollary of discipline in regard to imports and competition - areas of traditional concern to GATT. It was no overstatement to argue that those four groups of problems constituted the four pillars of the system of liberalized world trade. None of them must be neglected, therefore, for fear of threatening the effectiveness of the others if not the strength of the entire edifice. The importance of what was at stake therefore called for a political commitment by all the contracting parties. One could not hide the fact that some of those problems could assume special aspects in specific sectors, for example in areas as important as the discussion on trade in agricultural products or in textiles, or even in the area of services.

He wished nevertheless to underline the prime importance of examining the specific interests of the developing countries. In that respect Switzerland fully subscribed to the work programme and particularly welcomed the recent establishment of a sub-committee to consider problems of the least-developed countries.

In summary, he said that GATT was currently in a phase not only of consolidation but also of choice in regard to new orientations; more than ever, it must not lose sight of its characteristics and its essential fundamentals. For in order to safeguard and improve implementation of the rules and principles of the General Agreement, to check protectionism and at the same time prevent the breakup of the international trade system, it would be essential for contracting parties to respect the framework of the General Agreement as a legal instrument and GATT as a forum for negotiation. The specific and operational character of GATT would facilitate the search for practical and realistic solutions to the problems currently facing the contracting parties - all the more so as instead of indulging in sterile confrontations, they must strive, in a spirit of veritable co-operation, to respect existing rights and obligations while objectively taking account of the legitimate interests of each of them.

Mr. ADENIJI (Nigeria) said that the process of stock-taking should not hinder further action needed to ensure that all the contracting parties received benefits from GATT membership. In the view of his delegation, the GATT Work Programme offered a substantial basis on which the CONTRACTING PARTIES could respond not only to the challenges left over from the 1970s but also to the imperatives of the 1980s. Of particular importance for the developing countries was the urgent need for fresh and continuing negotiations for an efficient, fair and practicable multilateral safeguard system. He stressed that this matter was very important to all contracting parties and to the credibility of the GATT itself as a source of normative principles for managing world trade relations, and as a framework for resolving trade conflicts. A way had to be found for carrying on the negotiations more rapidly and in an open forum.

Turning to the efforts, however commendable, made during and after the Tokyo Round to come to grips with the problems of liberalizing trade and keeping protectionism at bay, he felt that greater emphasis should have been given to positive actions to deal with residual and continuing threats of protectionism and to facilitate the adjustment of economies to structural change in a world that had become so closely interdependent. He welcomed in this regard the establishment of the Working Party on Structural Adjustment and Trade Policy and expressed the hope that it would deal with imagination and without pre-conceptions with the adjustment problems faced by all contracting parties. He also hoped that the Sub-Committee on Protective Measures would be assisted in every way possible to achieve its goal.

He then referred to the area of trade relations and expansion of trade among developing countries, where the GATT had a substantial rôle to play and where he wished to see a revival of active concern. Furthermore, much greater account should be taken of the objectives and strategies for trade and economic co-operation among developing countries. He said that African countries, in particular those in West Africa, had emphasized the need to develop sub-regional arrangements for trade co-operation. He saw no fundamental conflict between such steps and co-operation among developing countries generally at the regional and interregional levels.

In respect to the fuller participation of the developing countries in the work of the GATT, he said that this required both initiatives by the developing countries themselves and imagination in the way the GATT itself dealt with those countries. He expressed appreciation for the GATT mission sent to his country and to other countries, and suggested that, in addition to continuing this effort, attempts should be made to study specific problems, particularly in the areas of trade policy, co-operation and economic development possibilities of interest to several developing countries. In so doing, GATT would be making itself more relevant to their needs.

In conclusion, he also expressed appreciation for the constructive technical assistance received from the secretariat, and hoped that increasing emphasis would be placed on this.

Mr. WILLENPART (Austria) said that Austria hoped that as many countries as possible would join in the Tokyo Round Agreements for further trade liberalization and thus make the new scheme an efficient and effective one, while being mindful of problems which were not considered during the Tokyo Round, in order to find a solution for them at the appropriate time.

He said that the contracting parties' contractual obligations took on their proper value in an economic climate marked by strong protectionist tendencies. However, the results of the Tokyo Round provided additional possibilities for protection against such tendencies, particularly against unjustifiable anti-dumping and countervailing duty actions as well as against protectionism through the creation of technical barriers to trade and through licensing procedures. The experience of the first year of operation of the MTN Agreements was encouraging, but not yet conclusive. He expressed the hope that as many contracting parties as possible would not only adhere to the Agreements but would also work actively within them.

He considered the trade problems of developing countries as one of the most important issues lying ahead, and that one of GATT's main responsibilities was to stand ready to make a full, fair and mutually satisfactory contribution to the North-South dialogue at the appropriate time.

In turning to the work in the Committee on Trade and Development, he said that this Committee had taken this year two important actions designed to fill the gaps left over from the Tokyo Round. His delegation welcomed the creation of the Sub-Committee on Protective Measures as an additional means to protect vital interests of developing countries, as well as the creation of the Sub-Committee on Trade of Least-Developed Countries. Austria was prepared to make its full contribution to the work of this Sub-Committee and to consider further action in order to facilitate access to its market for products originating in these countries.

He said that his delegation supported wholeheartedly the Chairman's comments on the necessity for an efficient dispute settlement system in GATT. In his view, the dispute settlement procedures were designed for a resolution of trade problems on the basis of mutual trust, co-operation, compromise and maximal benefit for the trading community. As the number of severe difficulties in the field of trade were expected to increase, the CONTRACTING PARTIES would have to pay particular attention to the respect of commonly agreed rules in the years ahead.

He stated that his delegation was of the opinion that the Consultative Group of Eighteen had so far proved to be a valuable instrument within the GATT. Its activities and work programme, and the request to provide for more meeting-time in order to consider agricultural questions adequately, showed clearly that the work in GATT had to be supplemented with further action for the liberalization of trade. As this meant also an increasing adjustment effort with respect to the economic structures, his delegation therefore welcomed the creation of a working party with the task to lay the basis for possible future work in this area.

The meeting was adjourned at 1 p.m.