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SUMMARY RECORD OF THE SECOND MEETING

Held in the International Labour Office,
on Tuesday, 1 October 1985, at 10 a.m.

Chairman: Mr. F. Jaramillo (Colombia)

Subject discussed: - General statements (continued)

Mr. DE LA DEHESA (Spain), referring to the disappointing results so far in implementing the 1982 Ministerial Declaration, attributed them to its non-binding nature. A new impetus needed now to be given to international cooperation, embracing not only trade but also monetary questions and aid to development. It was therefore necessary to launch a new round of genuine and wide-ranging multilateral trade negotiations, which would lead to a set of binding rights and obligations. Three types of actions would be required in pursuit of further trade liberalization: improvement of GATT's present legal framework, so as to ensure greater responsiveness to ever changing world trading conditions; removal or regulation of tariff and non-tariff barriers; negotiations in new sectors whose growing importance required them to be subject to generally acceptable multilateral rules. The new round of multilateral negotiations should ensure that every contracting party would stand to benefit; realistic goals should be set. He suggested that a high-level group examine as soon as possible the subject matter and modalities of a new round, reporting to the November 1985 Session of the CONTRACTING PARTIES which would then formally initiate the preparatory stage of the round. His delegation hoped that a new round would help to overcome the current protectionist crisis and to fulfill GATT's objectives.

Mr. KUMAR (India) viewed the current international economic malaise as arising from the fundamental weaknesses and imbalances in the world economy. Resistance to change lent support to the forces of protectionism. Action was required simultaneously in the fields of money, finance, trade policy, commodity markets and institutional reform. He regretted the lack of progress made in certain key areas: safeguards, which had been a priority issue since the Tokyo Round; dispute settlement and enforcement mechanisms, which had been weakened by procedural delays and the difficulties encountered by the weaker trading nations in having decisions implemented and their rights protected; tropical products; and textiles, where India hoped the opportunity to make progress would be seized. Past experience did not encourage his authorities to believe that starting a new round of multilateral negotiations would by itself help to contain protectionist pressures. He recalled that some of the more stringent provisions in

the Multifibre Arrangement had been incorporated when the Arrangement was renewed in 1977, i.e. when the Tokyo Round was at its peak. His delegation was nevertheless willing to explore the modalities of a new round and continued to support the statement by 24 less-developed countries in L/5818, the essential elements of which were that: special priorities in areas of interest to developing countries should be recognized; more favourable and differential treatment for developing countries should be realized; there must be parallel and supportive processes in the international monetary and financial fields; there must be determined implementation of autonomous liberalization measures; India had recently implemented such measures, but to sustain this effort, would need a positive response in areas where its exports still faced trade barriers.

Although the arguments for a new round of multilateral negotiations could all be related to the 1982 Work Program, a new dimension -- services -- had been introduced. While it was true that economic activities in a country could be classified into the agricultural, manufacturing and service sectors, it did not follow that, for the purposes of any international régime, the service sector was capable of being treated in a uniform or common manner, or even that international action on the sector as a whole was necessary. This sector covered such diverse activities as banking, insurance, transport, tourism and management on the one hand, and professional services on the other. Many required establishment on the territories of other countries, or movement of people and had to be dealt with in accordance with sovereign national policies. It was not possible to erase this fundamental difference simply by prefixing the word "trade". India held that GATT's disciplines were designed to deal with the problems of goods and commodities moving across borders and could not be transposed to deal with problems of services. Banking, for example, was nationalized in many developing countries, and banks were among the instruments used by governments to achieve socio-economic goals and to implement wider economic policies. India did not accept that third countries could indicate what form these instruments should take and how they should be regulated. The developing countries were now entering some service sectors, and Government support and participation, protection and preferences were necessary; some of the countries now seeking to establish an international régime for services had themselves had free and full recourse to such practices to promote their service sector. It was only after these countries' service sectors had reached a certain level of development that ideas of liberalization within GATT had been projected. A number of fully competent, more universally representative international bodies already existed to deal with various service activities (for example, ITU, WIPO, ICAO, IATA and IMO) and there was no reason to assume that GATT was a more appropriate forum or that it could encroach on the jurisdiction of those bodies. His Government firmly believed that the history, structure and provisions of the General Agreement showed that it had competence only for trade in goods. The treaty of GATT could not be stretched to authorize consideration of or

to deal with questions beyond its mandate; this was not a matter of procedure, but of law. Extension of the treaty to another area could be done only by plenipotentiary action or unanimous agreement of the CONTRACTING PARTIES. While the 1982 Ministerial Declaration covered the possibility of national studies pertaining to the service sector, no decision had been taken by Ministers to discuss, negotiate or enlarge the scope of GATT beyond trade in goods. Further elaborations and dialogue were required to clarify the far-reaching implications of this question and to build a consensus as to whether, where and how such complex issues could be addressed; too much rush would not be advisable.

Mr. VIDAS (Yugoslavia) stated his country's commitment to preserve and improve the multilateral trading system based on the General Agreement and to strive for consensus on the actions to be undertaken to that end. He expressed concern, however, for the future of consensus in GATT, given the emphasis being placed by some on counting both the number of contracting parties in favour of convening the current Session and the volume of their trade. Yugoslavia respected trade volume statistics. Nevertheless, countries such as his own faced heavy debt, development difficulties and declining standards of living; solutions to those problems were also GATT objectives. The implementation of the 1982 Work Program had come to a halt primarily in areas of particular interest to developing countries. Their exports continued to be threatened by new protectionist measures taken by developed countries, which at the same time were pressing for a new round of multilateral negotiations in complete disregard of the interests of developing countries.

A broader approach was required to solve the problems of international trade, including: effective implementation of commitments undertaken in the 1982 Ministerial Declaration on standstill and rollback; realization of the Work Program in areas where no progress had been achieved; multilateral negotiations, within GATT's field of competence, when consensus had been reached on the objectives, subject matter and modalities. Yugoslavia would favour negotiations to improve the multilateral trading system leading to a greater contribution of trade to economic activity and development. He reiterated support for the statement by 24 less-developed countries in L/5818 and stressed that future multilateral negotiations should preserve and improve special and differential treatment for developing countries. The new round should deal only with trade in goods and not cover trade in services or any new issues such as investment, high technology or intellectual property, which were alien to GATT's jurisdictional competence. As for trade in services, it would be premature to go beyond the stage of exchange of information on national studies and further examination of the problem; this should help determine the possible need for multilateral regulation of this sector. Finally, no substantial improvement in multilateral trading relations would be possible without parallel action on monetary and financial questions and on a comprehensive solution of the debt problem of developing countries.

Mr. REISCH (Austria) supported any initiative aimed at maintaining, strengthening, adapting and, if necessary, enlarging the GATT in the interests of an open multilateral trading system which functioned well. New negotiations might provide the urgently needed impetus for further progress. His country's position was set out in L/5849. The goals of the new round should be: to combat protectionism on the basis of a renewed standstill commitment, to stop the erosion of the GATT system and adapt the system to the new trading environment, and to proceed with further liberalization measures which would improve market access for products of all countries. In addition, it would be appropriate to explore if, and to what extent, GATT rules could be applied to new areas such as services, counterfeit goods and high technology. Austria shared the view that new comprehensive trade negotiations required thorough preparation. It therefore supported the establishment of a high level group in which all contracting parties could express their views, needs and priorities, leading to better mutual understanding and a balanced list of items of interest to the largest possible number of contracting parties.

Mr. YAVUZALP (Turkey) said that most current characteristics of the world trading system no longer coincided with those envisaged by the General Agreement; new action was necessary to revise them in the context of multilateral negotiations. Improvements achieved so far were by no means uniform, since existing barriers mainly affected exports from developing countries. Furthermore, the framework for international trade included measures of a conditional and arbitrary character that had not resulted from negotiations conducted in a spirit of reciprocity. The m.f.n. principle was no longer the keystone of international trade relations, since most industrialized countries had adopted discriminatory import régimes. Despite some progress, the 1982 Ministerial meeting had not resolved certain questions dating from the Tokyo Round, such as safeguards, dispute settlement, and trade liberalization in areas of special interest to developing countries. Much remained to be done, particularly on grey-area measures, certain non-tariff measures, and trade in textiles.

The time had come to embark on new negotiations. The trading system must be able to adapt to shifts in comparative advantage from one country or group of countries to another. Liberalization of international trade in textiles was particularly important to developing countries, for their contribution to expanding world trade, for the relevant negotiations, and for a solution to these countries' economic problems through trade. It was also necessary to define in detail the conditions that could warrant the adoption of restrictive measures, and to define prejudice, injury and market disruption. Efforts would have to be made to ensure that grey-area measures were brought within the coverage of the General Agreement. The idea of setting no limit to topics that could be considered in the new round was acceptable, provided that this approach included an undertaking that the negotiations would serve the interests of all contracting parties.

Mr. NIVATVONGS (Thailand) associated his delegation with the statement by Singapore on behalf of the ASEAN countries¹, which fully reflected Thailand's position on the subject matter and modalities for the proposed new round. The time had come for a joint and realistic resolve to rectify the rapid deterioration in the world trading system. Among the conditions vital for the success of the proposed new round was an attitude of sincere determination to act for the mutual benefit of all, and of faith in the multilateral trading system as embodied in the GATT. Expectations should be realistic. The interests, needs and limitations of all contracting parties, and particularly of the less-developed countries, should be taken into account in setting the subject matter and modalities of a new round. All contracting parties should be able to expect to gain something, and none should be expected to make contributions inconsistent with their social and economic systems, or with their individual development, financial and trade needs.

Mr. LACARTE MURO (Uruguay) said that a diminishing volume of trade was being carried out in accord with the m.f.n. principle, with the consequent risk, if the trend were not reversed, of increased bilateralism and regionalism. GATT provisions had failed repeatedly in the past to provide a defence against protectionism. The results of the Kennedy and Tokyo Rounds had been disappointing for the developing countries, and any new negotiations would have to offer the certainty of a fairer outcome. Uruguay's position was reflected in the recent joint statements by developing countries (L/5647, L/5744 and L/5818) and in its commitment to the 1982 Ministerial Declaration. The 1982 Work Program contained a condemnation of protectionism and a clear reaffirmation of Part IV of the General Agreement, including more favourable and differential treatment for developing countries. The Ministerial decision on GATT Rules and Activities Relating to Developing Countries (BISD 29S/22) was a cornerstone of all future work to be done by the contracting parties. A precondition to a new round of negotiations would be effective implementation of the rollback commitment in the Ministerial Declaration, so as to restore a climate of confidence. Uruguay could not participate in negotiations from a disadvantaged position. It had unilaterally liberalized its imports while others had applied protectionist measures. The modalities for a new round would have to be defined so as to ensure the full participation of developing countries and transparency in the application of the m.f.n. principle. Improvement was required in the dispute settlement mechanism and in its application. A balance of rights and obligations could be re-established only with the help of a safeguard system which could be applied in a transparent, predictable, non-discriminatory and equitable manner. A new round should provide the opportunity to examine and negotiate agriculture in its entirety,

¹ See 4SS/SR/1, pages 11-12.

including: rollback of existing measures, revision of the Agreement Regarding Bovine Meat, examination of a prohibition of subsidies, and an end to the use of sanitary and phytosanitary regulations as restrictions to trade. For Uruguay, the link between trade and financial questions was inescapable; without growth, external financial commitments could not be met. A prior commitment was therefore required to initiate a parallel process of examination and reform of the international financial and monetary systems, with adequate participation of the developing countries.

Mr. WOODFIELD (New Zealand) recalled his country's long-standing and enthusiastic support for a new round of multilateral trade negotiations. New Zealand's objectives, which could only be realized through a process of negotiation, were those set out in L/5831, namely to: provide the opportunity for New Zealand to make the best use of its resources; contribute to rationality and stability in the international trading system; and restore equity within the system, in particular to redress the inequitable treatment of agriculture in GATT. A new round was essential to carrying through his country's major economic liberalization program. New Zealand sought a start to substantive negotiations early in 1986 and urged that a reasonable time-table, say two years, be established for their completion. Consideration should also be given to how and when to engage ministers in the process of launching a new round. A preparatory committee would therefore have to be set up as soon as possible, preferably not later than the end of November 1985.

The negotiations should encompass four broad areas: (i) unfinished business, within which agriculture was New Zealand's top priority, including improved and secure access to markets and restraints on the use of export subsidies; the whole subsidy issue, as well as safeguards and grey-area arrangements needed to be addressed; (ii) more equitable and effective rules on trade, and improved terms and conditions of access in all sectors, with recognition of the particular concerns of developing countries; (iii) strengthening GATT's legal framework in the following areas: notification, surveillance and dispute settlement procedures, institutional arrangements to assist governments in resisting protectionist pressures -- for example, the Study Group's proposal for a ministerial-level body to oversee national trade policies -- and the provisions of the General Agreement relating to deviation and derogations from its basic provisions and obligations; and (iv) such other matters, of which services might be one, as might be agreed among participants. GATT had to be looked at in a dynamic, not static, mode. Ground rules had to be prepared for commercial exchanges in the next century, and New Zealand could see no prima facie case for ruling out trade in services as a subject for negotiation in the new round. However, much work was required to prepare negotiations on services and this should not be allowed to impede the progress of negotiations in other areas where the basic preparatory work had already been done. New

Zealand had already supported in L/5831 the call for firm and credible commitments on standstill and rollback to be incorporated in the current decision-making processes. This would provide a clear signal to the international community of a resolve to withstand the pressures for increased protectionism in favour of a more open and equitable trading system.

Mr. NAGARATNAM (Sri Lanka) recalled that despite Ministerial commitments made in 1982, the GATT system had been further eroded, and protectionist measures and pressures had intensified. Sustained economic recovery would not be possible should such tendencies continue to prevail. However, better trade policies alone would not suffice, and co-ordinated actions in the fields of monetary, fiscal, debt and development policies were required. Sri Lanka had supported the statements of developing countries, the latest of which (L/5818) emphasized the urgent need to restore confidence in the multilateral trading system based on GATT. For this purpose, the commitments made in the 1982 Ministerial Declaration should be carried out, specifically those concerning: standstill and rollback of protectionism, in the first instance through autonomous actions; negotiations, according to a short and specific time-table, on such long-standing issues as tropical products, textiles, agriculture, natural resource-based products, safeguards and dispute settlement procedures. Actions in these key areas should be concluded prior to and independently of the results of any new round. His delegation would support a new round if a beginning were made to roll back protectionism and to implement the 1982 Work Program, which had to be the starting point for any further efforts to liberalize trade. One main objective of any new round should be a substantial enlargement of developing countries' access to developed countries' markets. Techniques and modalities should therefore be established to enable the application of more favourable and special treatment for developing countries. He suggested that an interim committee be established to carry forward the preparatory process for a new round, participation in it being without commitment. The issue of services was complex, raising wide-ranging questions. The exploratory process in GATT, including examination of national studies and the exchange of information, should continue independently and not detract from GATT's central area of responsibility. Sri Lanka would join the search for a consensus which would help reinforce the multilateral trading system and contribute to trade expansion.

Mr. BLANKART (Switzerland) said that for more than three decades GATT had a record of uninterrupted success; in recent years, however, it had been losing momentum. Consequently, it was now necessary to start new negotiations aimed at further trade liberalization; time was running short. Trade policy had to be transparent, equitable and foreseeable, and this could be ensured only by an efficient and stable multilateral system. Recently, trade liberalization had become uncertain and would not be enough on its own to strengthen the GATT system; on the other hand, strengthening the system was the sole key to

further trade liberalization. He noted that since the General Agreement entered into force in 1948, there had been far-reaching upheavals at the international level; decision-making centres had shifted and multiplied, new trading nations had emerged and competition had taken on a new face. Increased growth potential had been accompanied by over-indebtedness of certain countries as well as by monetary fluctuations, new forms of international trade, underemployment, and the need for speedier transformation and development of production structures. Given these facts, could one expect that rules which had remained virtually unchanged since 1948 should still maintain their effectiveness? However valid GATT's conceptions and principles might still be, the time had come to envisage updating the system and, if necessary, extending it. Furthermore, financial problems and indebtedness, monetary matters and economic policy had deeply interlinked repercussions on trade, as trade did on them. That being so, neither trade nor any of the other component elements could be tackled in isolation.

For all these reasons, Switzerland was convinced that if the new round of negotiations were to be successful, it would have to be broader and different in scope from earlier rounds. Most of the subjects for negotiation were well known, for example: safeguards, textiles, agriculture, integration of developing countries in a multilateral contractual system to cover satisfactorily the real needs of all the parties concerned, and new areas of international trade such as services. One could add others, such as more balanced readjustment of the negotiating rights envisaged by Article XXVIII or an addition to Article XXIV which would, where necessary, afford a better framework for special arrangements between developing and industrialized countries. Most of these matters were included in the 1982 Work Program, which could be one of the main bases for the discussions to come. The absence of any differentiation between those very different although interlinked tasks was one of the reasons why the Work Program had not progressed as had been hoped. Accordingly, Switzerland was now proposing that in the exploratory work, then in the preparatory work and ultimately in the new round itself, the subjects for negotiation should be taken up separately, according to their nature, in three categories. First, work in GATT, i.e., matters concerning further progress to liberalize trade, for example concessions exchanged in the area of tariffs and quantitative restrictions. Second, work on GATT, i.e., matters concerning the GATT system, which should lead to the improvement of the rules. This category could be subdivided depending on whether the work concerned the improvement of existing rules, such as those on safeguards, agriculture, certain non-tariff measures, and on the functioning of GATT as an institution, or whether it concerned new areas such as trade in services. Third, work as GATT, i.e., matters concerning problems beyond the framework of commercial policy and which also related to financial, monetary or economic policies in general, including questions linked to cooperation between the institutions responsible for these areas at national and international level.

The exploratory work should define the most judicious negotiation modalities for each of the three groups of problems. The topics in the first category corresponded to GATT's conventional function and task, i.e., the exchange of mutual concessions designed to enlarge access to the respective markets of contracting parties. Topics in the second category constituted part of a normative or legislative task which, in principle, was alien to GATT. What was involved here was the content of the General Agreement itself. Accordingly, the contracting parties would have to establish ad hoc modalities for dealing with such topics, under GATT auspices, but outside its ordinary institutional framework. Such procedural precaution would be the only way to avoid rules being established at the cost of traditional trade concessions. In addition, it would preserve GATT's effectiveness in safeguarding the law to the extent that the institution would not be able to modify its renewed statutes any more easily than in the past, and its existing statutes would not be brought into question by the institution itself, so long as the relevant negotiations were continuing. As for topics in the third category, even though they were new for GATT, they could form an essential task of the institution, which would thus become the common spokesman for all the contracting parties vis-à-vis other economic institutions. This task would consist of formulating and making heard the message that GATT had to convey, expressing the conditions required at economic and monetary level to guarantee satisfactory functioning of world trade. It would then be necessary to draw the consequences at the level of institutionalized cooperation between the national and international bodies concerned. Lastly, the exploratory work would have to cover the question of participation in the negotiations and implementation of the results.

Switzerland believed it would be advisable if, at this Special Session, the CONTRACTING PARTIES were to initiate the exploration process in a structured and decisive manner and decide, at their regular Session in November, to start the process of preparation. Such action would be seen by economic operators as a sure signal of reversal of the current trend. The stakes in the new round were tremendous. Failure to move, or halting solutions, involved the risk of shattering the system and causing devastating confrontations. The responsibility of carrying this task through was incumbent on all the contracting parties.

Mr. LECHUGA (Cuba) said that increased protectionism, deteriorated terms of trade, debt problems and lack of discipline in the trade system suggested that implementation of the 1982 Work Program was a more pressing need than a new round of negotiations. One contracting party had exerted pressure on the others to impose its own views and to block the Work Program. If GATT's survival were to be threatened, this would not be because a new round was not launched but rather because GATT rules were not observed, discrimination persisted, preferential treatment was abandoned, political sanctions were applied and bilateral solutions were encouraged. While no solution had been found to the fundamental problems faced by developing countries, a new subject

completely foreign to GATT such as services, was being pushed forward. The proposal tabled by 24 developing contracting parties in L/5818 was constructive and could not be ignored. Standstill and rollback provisions as well as differential and more favourable treatment for developing countries should be respected.

It was clear that the economic situation of developing countries had worsened since 1982; their exports had lost more than 21 per cent in purchasing power compared to 1980, and in 1984 Latin American countries had lost nearly US\$20 billion solely on account of this factor. The fact that the developing countries had become net capital exporters was beyond dispute, and a recent report by UNCTAD suggested a transfer of US\$27 billion for 1984. If interest payments on the outstanding debt were added to the US\$20 billion lost on account of depreciated terms of trade, illegal capital outflows, and the overvalued US dollar, it was not an exaggeration to say that Latin America had transferred to the United States and to other developed countries the huge sum of US\$71 billion in 1984. In the light of such facts, Cuba insisted on the need to take into account the interests of all contracting parties regardless of their size and commercial power.

Mr. LISEMBE (Zaire) said his country considered that international trade had shown a negative trend in recent years; this had put a burden on developing countries, particularly on the poorest among them. Despite positive growth rates for OECD countries, prices for raw materials had declined and, as a result, African countries had lost nearly US\$2.2 billion between 1978 and 1981. He underlined the negative effect of high interest rates on debtor countries' economies. African countries were engaged in rigorous austerity programs which had permitted them to decrease their balance of payments deficit from US\$24.7 billion in 1982 to US\$13.6 billion in 1983. Developing countries as a whole had become net capital exporters to the industrialized world in 1984, reimbursing more than they had received in investment loans and aid; thus it was difficult for them not to react when their primary, semi-finished and finished products faced obstacles in developed country markets. Satisfactory economic planning and improved living standards were impossible in this context of debt and weak markets. These countries viewed future multilateral trade negotiations with scepticism, based on the results of the Tokyo Round and the 1982 Ministerial meeting. Zaire believed in the free market and considered it important to include the fundamental interests of the developing countries in any discussion on international trade. International economic cooperation could succeed only if all countries benefited. Zaire's support for this Special Session was a move in favour of trade to benefit development. Despite commitments to trade liberalization, serious tensions threatened the foundations of international trade, and comparative advantage was negated by subsidies. Work should continue in the spirit of the Tokyo Round and the Ministerial meeting with an emphasis on solving problems of trade in goods. GATT rules should be respected and commitments honoured. While

GATT was not the appropriate forum to discuss monetary and financial questions, attention should be given to high interest rates and the improper functioning of the international monetary system which penalized trade as much as protectionist barriers.

Mr. FURULYAS (Hungary) said his country was deeply concerned that the GATT system had reached an advanced stage of disintegration. Hungary continued to believe that the 1982 Work Program represented the greatest common denominator among contracting parties for actions to be taken to halt the erosion of the system and to make substantial progress towards trade liberalization. The Work Program covered all the pressing trade issues, and Hungary agreed with those who considered that some important elements, agriculture for example, could be brought to a satisfactory conclusion only through negotiations. However, a new round should not substitute for actions that should have been taken unilaterally to conform with basic GATT obligations. Furthermore, the Work Program offered a framework to examine some new issues, without the contracting parties committing themselves to the outcome of such an examination.

Hungary considered that a climate based on mutual confidence and understanding was needed to launch a new round. One important element for such a climate would be compliance with GATT rules and the fulfilment of existing obligations. It would be essential in a new round to reinforce the basic principles of the General Agreement such as the m.f.n. clause and non-discrimination, and to bring within GATT's effective multilateral disciplines all sectors that had hitherto been excluded.

For Hungary, the almost total lack of discipline in agricultural trade was a major source of inequity and a burden for small efficient producers highly dependent on farm exports. The recommendations on agriculture (L/5732) adopted at the 1984 Session of the CONTRACTING PARTIES provided a realistic departure point to develop new, fair, predictable and effective rules both on export competition and on market access conditions. On safeguards, Hungary supported the conclusion of a comprehensive agreement based on GATT provisions. As for the Multifibre Arrangement, Hungary considered it was an institution of protectionism and discrimination and a major factor of erosion for the GATT system; urgent action was thus needed to liberalize and bring textiles trade back to basic GATT norms. So as to protect more effectively the rights of weaker partners in international trade, his delegation supported strengthening the dispute settlement mechanism, particularly through more effective enforcement procedures. Turning to m.f.n. tariffs, Hungary would like to see these further reduced to improve the competitive position of those countries which did not belong to the vast area of Article XXIV arrangements.

Hungary did not oppose considering trade in services in GATT; only thorough exploratory work could answer the question of whether existing GATT rules could apply to such trade. Hungary recognized that each contracting party had the right to pursue its own priorities, but linkage between negotiations on trade in goods and the exploratory work on trade in services would be unacceptable since it would greatly delay the consideration of existing priorities. On participation, Hungary was convinced that, similarly to the Tokyo Round negotiations, the new round should be open to any country wanting to participate. A decision on launching the round should only be made after reaching a consensus on subject matter and modalities.

Mr. TSANG (United Kingdom on behalf of Hong Kong) noted that GATT's report on International Trade 1984/85 drew attention to important changes in the pattern of world merchandise trade over the past decade. The report showed Hong Kong as number 15 in the world in exports and number 16 in imports; the close correlation between Hong Kong's shares of world exports and imports illustrated the point made in the report that dynamic suppliers were also dynamic customers. Hong Kong's interest in restoring, maintaining and strengthening an international trading system based on the philosophy of comparative advantage and non-discrimination followed from its non-interventionist economic policies and strict adherence to GATT principles and disciplines. He noted that Hong Kong maintained a completely open market without tariffs or quantitative restrictions. For these reasons, Hong Kong had fully supported the 1982 Work Program and wanted to see it brought to a satisfactory conclusion. However, progress had been slow and the results limited. A new round had been suggested as the only way forward from an apparent impasse. If multilateral trade negotiations were to be the panacea as claimed by some, they could not be used to sweep aside the results of the 1982 Ministerial meeting, nor to renegotiate any fundamental elements of GATT, such as non-discrimination and m.f.n. treatment. The aim had to be to secure greater adherence to GATT principles and disciplines without legitimizing or rewarding departures from them. Only in this way could equilibrium be restored to the system and real liberalization achieved.

He noted that much of the discussion on the proposal for a new round leading up to the present Session had taken place in small, restricted groups. Moreover, as far as those who had not been involved in those proceedings could ascertain, much of the recent discussion appeared to have centred on procedure rather than substance. It was disturbing that discussions of an issue deeply affecting the interests of so many should be restricted to so few. Should the outcome of this Special Session be to switch from a procedural to a more substantive preparatory phase, then it was essential that ensuing discussions take place on a much broader basis. In particular those with a substantial interest in world commerce and an express desire to strengthen the multilateral trading system should have the opportunity to be fully involved.

Mr. LOPEZ NOGUEROL (Argentina) said his country had always supported the GATT multilateral system and had made every effort to strengthen trade liberalization. While Argentina shared developing countries' concerns and had doubts about the process which had led to the present Session, its participation was proof of a positive attitude.

Any new round of negotiations should be on the basis of well-established principles and within the framework of clearly defined rights and obligations, i.e., within the competence of GATT; substantive progress on improving the rules of international trade could not be achieved by acting outside that framework. Argentina fully subscribed to the ideas in the developing countries' submissions (L/5647, L/5744 and L/5818) aimed at progressive elimination of the asymmetry in trade relations between developed and developing countries. The 1982 Ministerial Declaration contained all the elements which could reinforce GATT; these covered protectionism, safeguards, dispute settlement, agriculture, tropical products, quantitative restrictions and textiles. However, experience had shown a lack of political will to fulfill commitments and to liberalize trade, particularly on the part of the developed countries.

The first priority should be individual and autonomous rollback of protectionist measures, accompanied by developed countries' implementation of their commitments as described in section (B) of L/5818. Inobservance of GATT disciplines had become the rule; in agricultural trade, for example, efficient producers such as Argentina could not compete due to the policies of the European Community and the United States. Recent attempts to find financial solutions to the debt problem were a mere palliative and had led to recession in developing countries. It was therefore essential that developed countries adopt sound internal policies, manage monetary policy more responsibly and take action against protectionism. Work should be undertaken on all areas of unfinished business, particularly those of interest to developing countries, including elimination of discretionary régimes such as the Multifibre Arrangement.

GATT should continue working within its ambit, i.e., as a regulator of trade in goods. Even though many essential issues regarding trade in goods had not been resolved, some developed contracting parties wanted to concentrate on new areas where they enjoyed near-monopolies and sought to confirm their dominant position. The interest in trying to deal with new subjects was legitimate, but treatment of these subjects in GATT should not be imposed, as GATT had to function within a well-defined legal framework. Any future measures taken in GATT should eliminate distortions of trade in goods and allow for expansion of developing countries' trade; this would only be possible if the developed countries accepted the necessity of structural adjustment. Argentina hoped that contracting parties would meet the challenge on the basis of respect for GATT principles and within the framework of the General Agreement.

The meeting adjourned at 12.45 p.m.