

GENERAL AGREEMENT ON TARIFFS AND TRADE

MIN(73)SR/Add.4
22 October 1973
General Distribution

MINISTERIAL MEETING
Tokyo, 12-14 September 1973

Page 148/149

STATEMENTS DELIVERED AT THE FOURTH MEETING

Thursday, 13 September 1973, 2.30 p.m.

Statements by:	<u>Page</u>
Duck Woo NAM, <u>Korea</u> , Minister of Finance	151
Thorhallur ASGEIRSSON, <u>Iceland</u> , Secretary General, Ministry of Commerce	154
D.H. JORDAN, United Kingdom on behalf of <u>Hong Kong</u> , Director of Commerce and Industry	156
Salvador SANCHEZ AGUILLON, <u>El Salvador</u> , Minister for Economic Affairs Statement on behalf of the Central American countries	157
Jermu LAINE, <u>Finland</u> , Minister of Foreign Trade	161
HON Sui Sen, <u>Singapore</u> , Minister for Finance	163
Jozsef BIRO, <u>Hungary</u> , Minister of Foreign Trade	165
Justin KEATING, <u>Ireland</u> , Minister for Industry and Commerce	168

	<u>Page</u>
Jan STRBA, <u>Czechoslovakia</u> , Vice-Minister of Foreign Trade	170
Leopoldo DIAZ BRUZUAL, <u>Venezuela</u> , President of the Institute of Foreign Trade	172
A. VAZ PINTO, <u>Portugal</u> , Secretary of State for Trade	174

DUCK WOO NAM, KOREA,
MINISTER OF FINANCE

We have assembled here to inaugurate a new round of trade negotiations whose outcome will have far reaching consequences; it will fundamentally affect the fabric of international trade relationship, not only among the developed countries but also between the developed and the developing world.

The significance of these negotiations is all the more enhanced by the uncertainty and turmoil which dominate the trade and monetary scene of the world today. The recurrent international monetary crisis not only has caused the net losses of value of developing countries' reserves and heavier burdens for the repayment of their foreign debts, but also it adversely affects their development efforts and plans. Coupled with the recent monetary crisis, the international economy is overshadowed by a rising undercurrent of protectionism and the formation of economic blocs. Under those developments, it is the developing countries, rather than the developed ones, which are likely to suffer most. This is why the developing countries have welcomed the initiatives taken by the major trading powers toward multilateral trade negotiations for trade liberalization and the recent undertakings in the IMF to facilitate overdue international monetary reforms.

For the past twenty-five years, GATT has served well as a standard-bearer of free trade by opening up world markets through substantial reduction of tariffs and other barriers to trade. However, GATT has often been subjected to the criticism of not paying enough attention to the development needs of the less-developed countries. The Kennedy Round of trade negotiations could be cited as a case in point, because the main share of the trade liberalization was in products of concern to the industrialized countries, and the expectations of many developing countries went largely unfulfilled.

It is in this context that the developing countries, including my own, are pinning their hopes to the forthcoming multilateral trade negotiations. Their expectations at this time seem to be justified, as the Draft Declaration before us spells out, as one of the main objectives of the negotiations: to secure additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, and the acceleration of the rate of growth of their trade.

For the last decade, a number of developing countries, including my own, have achieved a considerable success in economic development, spurred by the rapid expansion of export industries. Despite the success in expanding their exports, they have not been able to solve the difficult problem of persistent gap between export earnings and import requirements. Import requirements are bound to increase, as they are in need of capital goods and raw materials for further industrialization. To eliminate this chronic trade deficit, developing countries are required to pursue vigorous trade policy to expand their exports through further diversification and qualitative improvement of products and by the discovery of new trading partners all over the world. In this connexion, I may add that my Government has already taken a series of measures to enter into trade relations with the countries which have different economic and social systems, and that the Republic of Korea seeks to augment trade on a mutually beneficial basis with all countries regardless of their ideologies or political system.

In full recognition of the importance of foreign trade as a vehicle of economic development, my delegation wishes to declare that the Korean Government is prepared to participate in the forthcoming negotiations. However, we are yet to learn the scope of the reciprocity which the developing countries have to offer in the process of the negotiations. We are prepared to contribute in what way we can to the trade negotiations. It should be stressed, however, that the extent and manner of the contribution by developing countries could be considered only in the light of the additional and special benefits granted by the developed countries in the process of trade negotiations.

The introduction of the Generalized System of Preferences has been hailed as a great step forward in international co-operation for development of the developing world. We are gratified to note that the Draft Declaration recognizes the importance of maintaining and improving the Generalized System of Preferences. We share the view, in this connexion, that if the forthcoming negotiations cause, in any way, erosion or dilution of preferential advantages of the developing countries, the developed countries should take additional measures for compensation of such erosion.

In the field of non-tariff barriers, we hope that priority will be given to the reduction or elimination of non-tariff measures affecting products of export interest to the developing countries, through special measures for them in the various ad-referendum solutions. We cannot leave this subject without referring to the multilateral negotiations for the trade in textiles, which have been going on within the framework of the GATT. It is our hope that overall benefits of the multilateral trade negotiations will make up for the cost which might be incurred because of participation by developing countries in any possible textile arrangements. Should the multilateral trade negotiations fail to take such cost into account, participation of the developing countries in the textile arrangements would be unjustified.

As regards the question of the safeguard mechanism, it is common knowledge that developing countries are vulnerable to the impact of quantitative restrictions on their exports or to suddenly inflicted export restraints. This vulnerability stems not only from heavy dependence of their economic development plans on foreign exchange earnings, but also from the late entry of their export industries into the world market. It is in this context that new rules for the safeguard mechanism are required to clearly establish a differentiated treatment for developing countries.

It is said that a good beginning is half done, but the problems to be solved are immense and the road before us seems to be an arduous one. The international trading system is now at the crossroads from which it can either move closer to protectionism or continue its progress toward a freer world trade. Now, more than ever, it becomes important that the world trade should not remain in a state of tension. It should move forward, as it is only in moving forward that a retreat into protectionism and isolationism could be checked.

The success of the multilateral trade negotiations will depend on the ability of the participating governments to explore how progressive reduction of trade barriers and the enlargement of world markets can be brought about. What is important, therefore, is to exercise the necessary political will in the direction of making real progress at the negotiations, and in doing so to foster the prosperity of the developing as well as the developed countries through trade expansion and liberalization.

THORHALLUR ASGEIRSSON, ICELAND,
SECRETARY-GENERAL, MINISTRY OF COMMERCE

My country, is, I believe, among those here represented which is most heavily dependent on foreign trade. Exports of goods and services amount to about 40 per cent of Iceland's gross national product. Consequently, we support fully the declared objectives of the forthcoming trade negotiations to achieve the expansion and ever-greater liberalization of world trade and improvement in the standard of living and welfare of the people of the world.

We have traditionally relied almost exclusively on exports in only one commodity sector, fish and fish products. Fish catches and their marketing conditions abroad have largely determined the conditions of life of the Icelandic people. In the early post-war years the remnants of the widespread protectionism of the depression years as well as persistent instability in Iceland's foreign trade contributed to the maintenance of restrictive import policies in Iceland longer than in most European countries. However, for more than ten years Iceland has participated actively in international efforts to free world trade.

In the course of the Kennedy Round negotiations we became a contracting party to the GATT. We fully supported the aims of those negotiations and contributed ourselves with tariff reductions commensurate with concessions of benefit to our exports. More recently we joined EFTA and concluded a free-trade agreement with EEC, which we firmly believe will contribute to making Iceland a stronger trading partner with all countries. We have already removed most of the quantitative restrictions on industrial products on a global basis and practically all remaining ones will be eliminated by 1975.

We stand ready to participate actively in the forthcoming multilateral trade negotiations and to make concessions comparable with the advantage we may receive. We believe that this can most effectively be done, as far as we are concerned, through a significant lowering of tariffs which remain now the main or almost only restrictive measure in force. A general review of the Icelandic tariff is now taking place in which due considerations will be taken of the objectives and progress of the forthcoming trade negotiations. Considering our uneven tariff rates a reduction leading to a closer harmonization of tariffs might be most appropriate, but this is still a matter of study to be decided in the light of the discussion in the Trade Negotiations Committee.

In these brief remarks I have attempted to sketch an approach which would in our minds be the most positive and appropriate for Iceland in these negotiations and give some of the relevant background.

We want to play our part in achieving the aims set out in the Draft Declaration, because we believe that a worldwide move forward is the most effective way to prevent a retreat towards protectionism. We are further aware of the particular effort which must be made to meet the pressing needs of developing countries. Iceland, although having a relatively high per capita national income, has some features in common with the developing countries such as the dependence of exports upon a single resource and upon volatile world markets. It is, therefore, easy for us to appreciate the problems of the developing countries. We are willing to examine any proposal for improved conditions of access for the developing countries to our markets.

In conclusion, we wish to express our sincere hopes that these new efforts under GATT's auspices will ensure continued and more orderly expansion of international trade and thus be of a lasting benefit to all the participating nations.

D.H. JORDAN, UNITED KINGDOM ON BEHALF OF HONG KONG,
DIRECTOR OF COMMERCE AND INDUSTRY, HONG KONG.

I speak for the United Kingdom on behalf of Hong Kong.

We should first like to join other delegations in expressing our thanks to our Japanese hosts so ably represented by yourself, Sir, in the chair; and to congratulate the Director-General and the secretariat on organizing so efficiently, with the assistance of the Japanese authorities, a major meeting like this, so many thousands of miles from their home place in Geneva.

By virtue of Article XXVI(5)(a) of the General Agreement, Hong Kong has, through the United Kingdom, the rights and obligations of a contracting party. This has been the position for many years and it remains unchanged. Hong Kong also has of course its own considerable interest in world trade. It therefore seemed appropriate that the United Kingdom should make clear its intention to participate and speak separately on behalf of Hong Kong in the forthcoming trade negotiations.

We do not, however, expect to have a great deal to say. Having had for many years a zero tariff - a concept we are glad to hear mentioned a little more frequently - and indeed practically zero non-tariff barriers too, we have left ourselves little scope for the negotiation of reciprocal concessions, even to the extent that this may be expected of developing countries.

There is a moral here but it isn't perhaps the obvious one.

Against that background, I should like to express our support for the Draft Declaration. Although no doubt we all feel that we could, left to ourselves, improve on it here and there, it does represent an important consensus which, it seems to us, can become a reasonable foundation and starting point for the negotiations.

We support the basic principles and rules of the GATT but we also recognize the force of the arguments for special consideration being given to the needs of the developing countries and particularly of the least developed among them. Ways and means of achieving this must be found but the measures taken must be subject to regular review if they are not in the end to undermine the basic principles of the GATT. The need for special treatment will need to be determined by objective criteria, with due and continuing regard to changing circumstances, for the whole object of this particular effort is and will continue to be to bring about a change of circumstances for the developing countries.

SALVADOR SANCHEZ AGUILLON, EL SALVADOR,
MINISTER FOR ECONOMIC AFFAIRS

STATEMENT ON BEHALF OF THE CENTRAL AMERICAN COUNTRIES

(Translation from Spanish)

I greatly appreciate having been designated by the Governments of Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica as spokesman for the Central American Common Market (CACM) at this ministerial meeting which marks the formal opening of the multilateral trade negotiations and to which our countries attach great importance. On behalf of these Governments, Mr. Chairman, may I express to you our warmest congratulations on your appointment to conduct the discussions of this meeting, the results of which the whole world, and above all the developing countries, hope will be of real significance for the well-being of their peoples.

The Central American countries have lived through the events that have occurred in the field of international co-operation since the second world war. The four international agreements that resulted from the Bretton Woods and Hot Springs Conference and gave rise to the establishment of the International Monetary Fund, the International Bank for Reconstruction and Development, and the United Nations Food and Agriculture Organization, each within its respective sphere of activity, restored orderly and normal conditions in the economic situation prevailing at the time. Another international agreement, for the establishment of the International Trade Organization, unfortunately never reached fulfilment because the Havana Charter was not ratified by some of the major industrialized countries.

The only part of the work of the Preparatory Committee for the Havana Conference to be implemented was the General Agreement on Tariffs and Trade, conceived by a group of countries as a provisional agreement pending the definitive establishment of the International Trade Organization. It was in this organization that the first tariff negotiations were initiated as referred to in Article 17 of the Havana Charter, but in a context that was purely concerned with trade matters and without taking into account development problems as had been envisaged.

The principal guidelines of the negotiations thus initiated were the elimination or reduction of tariffs and other restrictions on trade, observance of the most-favoured-nation clause and the absolute reciprocity of concessions; in this way, all countries were placed on an equal footing without taking into account their different levels of development.

Thereafter the developing countries made many efforts in the various international meetings in order to find appropriate formulae that would afford them just and equitable treatment. GATT itself has been concerned in these efforts, as evidenced by the approval of the Protocol concerning Part IV of the General Agreement, which is essentially designed to grant differentiated treatment to

the developing countries. It must be recognized that the intention of the CONTRACTING PARTIES when incorporating provisions for this new treatment in the General Agreement has not been fully reflected in concrete action to substantially further trade relations between the industrialized and the developing countries. In some cases uncertainty still remains over the positive nature of the concepts set forth in Part IV, particularly in comparison with the rest of the General Agreement and still more if account is taken of the text of the interpretative notes formulated by various developed countries concerning this progress in the text of the General Agreement.

These and other considerations have probably held back many countries from acceding to the General Agreement. Among these considerations one may mention the meagre benefits obtained by the developing countries contracting parties to the GATT following the six rounds of negotiations carried out under the auspices of GATT.

The Kennedy Round, the most recent of these, yielded substantial benefits for the trade flows of the developed countries, whereas for the developing countries no significant results were obtained, as may be seen from the statement which they made at the close of the negotiations in Geneva. I should like here to quote one paragraph from that statement:

"Today when the Kennedy Round of negotiations has come to an end, the developing countries participating in these negotiations wish to state that the most important problems of most of them in the field of trade taken up within the framework of these negotiations, still remain unresolved. These developing countries deeply regret that they are not in a position to share, to the same extent, the satisfaction of the developed countries at the conclusion and the achievements of the Kennedy Round."

In the view of the Central American countries, the absence of positive results in the past should constitute a stimulus for ensuring that the negotiations that are being initiated today bring agreement on those matters that are of vital importance for the economic development of the poorer countries.

This hope is also based on the different conditions prevailing at international level and within the framework of which this new effort to multilateralize and liberalize trade will be taking place. It will contribute in a positive way to the new political concepts adopted by the major world powers which, in practice, had remained at the state of things resulting after the second world war.

Central America is attending the formal initiation of the negotiations in the belief that its aspirations of making trade an appropriate instrument for its development will be achieved therein. It also trusts that through concerted action by all countries, whether or not contracting parties to the General Agreement, a suitable formula will be found for achieving the objectives set forth in the United Nations Charter in the economic field.

In this perspective, Central America participated in the preparatory phase of the multilateral trade negotiations, and expressed in the appropriate places its views concerning the measures that should be adopted in order to ensure effective and continuing participation by the Central American countries in such a way that they can derive concrete benefits through the expansion and diversification of their foreign trade. In this connexion, there is no doubt as to the need for all the developing countries to participate in the negotiations, for their economies are affected by the consequences of strangulation of their foreign sector. Nevertheless, our participation should not be interpreted as a decision to negotiate so long as the technicalities and modalities still remain to be determined. That decision will be taken when the framework that will govern the negotiations is known, and when Central America considers that its regional interests are being taken into account. In this connexion we hope that everything will be consistent with political statements made at the highest level by the authorities of world trading powers, in the sense of favouring the developing countries in the overall review of the structure of the world economy which is to be undertaken in the negotiations.

I should like next to present some remarks concerning the draft Declaration so laboriously prepared by the Preparatory Committee for the negotiations during its last session, held at Geneva last July.

Of the five countries which make up the Central American Common Market, only one is a contracting party to the General Agreement; hence the importance we attach to the participation of non-member countries without any prior conditions being set.

Central America is convinced that the success of the negotiations can be assured in advance to the extent that the countries represented here strengthen those aspects set forth in the draft Declaration in the sense of ensuring preferential differentiated treatment for the developing countries so as, inter alia, to ensure that the principles of Part IV of the General Agreement are effectively implemented. One cannot conceive of absolute reciprocity in the negotiations that will probably take place between our countries and any industrialized country, nor can Central America be expected to accept in full the "principles of mutual advantage, mutual commitment and overall reciprocity", for in our case to proceed in that way would be inconsistent with the intentions of the major trading powers which gave the initial impulse to this round of negotiations.

The approval in 1970 of the agreed conclusions by the Trade and Development Board of UNCTAD marked the end of a long process of negotiations among developed and developing countries that resulted in the establishment of the Generalized System of Preferences which, though not perfect, is capable of improvement and constitutes an effort of international co-operation aimed at providing the developing countries with preferential treatment, without reciprocity or discrimination, in order to increase their export earnings, promote their industrialization and speed up their economic growth rate. Hence, the great interest of the member countries of the Central American Common Market that in the multilateral negotiations there should be no erosion of the Generalized

System of Preferences that would be detrimental to the beneficiary countries; on the contrary, it would be desirable for the final document resulting from this meeting to include a formal undertaking to consolidate and improve the Generalized System of Preferences. One can easily imagine how the hopes of our countries would be dashed if the margins of preference that we are at present enjoying in certain markets of industrialized countries were to be reduced. In practice, this would eliminate our possibilities of exporting manufactures and semi-manufactures and we would have to continue as simple exporters of raw materials without any processing whatsoever and, as a result, would have to limit our development aspirations.

One of the very important matters mentioned in the draft Declaration formulated by the Preparatory Committee for the negotiations concerns the granting of special and priority treatment to tropical products, which are the backbone of Central America's exportable output. We believe that all the countries represented here are aware of the problems of access encountered by these products, of the tariff and non-tariff treatment applied to them, and so in the final declaration that comes out of this meeting special provision should be made for special and priority treatment for tropical products. Without wishing to go into detail, may I, by way of example, point out the following:

In 1969, imports of coffee into the European Economic Community (EEC) and the countries of the European Free Trade Association (EFTA) reached a value of \$1,150 million; on those imports, the total amount paid in customs duties, selective taxes and other charges was \$578 million, equivalent to 50.3 per cent of their c.i.f. value.

Central America fully supports the Declaration of the Special Committee for Latin American Co-ordination (CECLA), being of the opinion that acceptance of the content of that Declaration here would constitute recognition of the just aspirations of the developing countries within this negotiating process which is being initiated, laboriously and with dedication, for the establishment of a new order in the field of international trade.

Before concluding this statement on behalf of the Central American Governments, I should like to take this opportunity to thank the Government and the people of Japan for the hospitable welcome that they have extended and to express our hope that their initiative of inviting us to the beautiful city of Tokyo will bring the success that we all desire for the good of mankind.

JERMU LAINE; FINLAND,
MINISTER OF FOREIGN TRADE

Since the conclusion of the Kennedy Round negotiations much preparatory work has been done for the further liberalization and expansion of world trade. The fact that regional integration has got new and wider dimensions makes it ever more important that alongside with these developments new possibilities be created for trade liberalization on a world-wide basis. My Government thus warmly welcomes the initiatives to launch comprehensive multilateral trade negotiations within the framework of the GATT and is prepared to play its full part in these negotiations.

Trade liberalization on a world-wide, non-discriminatory basis should, in our view, be seen as an essential means for achieving more balanced expansion of international trade for a maximum number of countries. But the productive use of world resources and equitable division of wealth is not settled only by a rapid reducing of tariffs and non-tariff barriers. The existence of different social and economic systems, as well as varying degrees of development, are facts which should be taken into account both in relations between individual countries and within the multilateral framework. A continuous effort to develop those institutions that promote the transfer of resources to more productive use is needed. My Government considers it desirable that as many countries as possible participate in the forthcoming round, including those without formal status of contracting parties. We feel that the basic objectives of GATT - namely, raising standards of living, full employment, large and steadily growing volume of income and effective demand, full use of resources, expansion of production and exchange of goods, are universally acceptable. To attain and maintain these objectives on an equitable basis should be one of the crucial elements of international co-operation. Tariffs, non-tariff barriers and other measures which impede or distort international trade clearly constitute the important elements of the forthcoming negotiations. As far as tariffs on industrial products are concerned my Government consider that the aim should be as comprehensive and substantial tariff reductions as possible.

It is also important that trade in agricultural products be developed, even if the agricultural sector might prove to be difficult in the negotiations. This is due to the well-known fact that there are special features of demand and supply of farm products, and that governments in many countries have particular responsibilities with regard to the income level of their farming population. We think that one of the main objectives of the work of the GATT in the field of agriculture should be the enlargement - and in a sense, a normalization of world trade.

Trade liberalization should of course not take place in a way which would disturb the balanced development of national economies, since the liberalization of world trade cannot be an end in itself. For these reasons it would seem logical that the present safeguard rules be taken up for extensive review in the round before us. My Government considers that a multilateral safeguard system, which can be resorted to rapidly and effectively, is necessary. On the other hand, eventual reformulations or reinterpretations should not be allowed to lead to abuse of safeguard measures.

An important aim of the negotiations must be to secure additional benefits for the trade of developing countries and to assure them an increasing share in world trade. One means to achieve this goal is to apply differential and preferential measures to these countries in ways which will provide special and more favourable treatment for them in areas of the negotiations, where this is feasible and appropriate.

Disturbances in the international payments system of course seriously interfere with trade and could adversely affect the outcome of the multilateral trade negotiations. Taking into consideration the interdependence of these problems adequate attention should be paid to shielding the world economy from new shocks and imbalances also in this important field.

To conclude, the Finnish Government welcomes the launching of the new round of negotiations, with the aim of concluding them in 1975, and stands ready to endorse the Tokyo Declaration.

HON SUI SEN, SINGAPORE,
MINISTER FOR FINANCE

At this Ministerial Meeting for the multilateral trade negotiations, Singapore is participating as a full contracting Member to GATT for the first time at a GATT meeting since our accession to this organization on 20 August 1973. As a new Member, Singapore is heartened by the assurances given by the many representatives of the nations present here of continued adherence and loyalty to the principles of GATT and of realizing its purpose for ever-greater liberalization of world trade. However, as a developing country also, Singapore welcomes the declarations of the major developed nations to recognize the special interests of developing nations, so that these multilateral trade negotiations may result in developing nations obtaining greater access to the markets of developed countries whether by way of improvement of the Generalized System of Preferences or by way of other instruments.

Probably more than other developing countries, Singapore depends on free and open international trade for its economic growth. As a city-State without natural resources, Singapore has to import and export in equal measure. In our international trade, we find that non-tariff barriers are as restrictive, sometimes even more so, than tariff barriers. The elimination or reduction of non-tariff barriers in our view merits as much attention as the elimination or reduction of customs tariffs.

Only a very low level of imports into Singapore is subject to tariffs. The main duties that we have imposed are for revenue rather than for protective purposes. As excise duties are also imposed, our domestic producers enjoy altogether little, if any, tariff protection. This is our modest contribution towards greater liberalization of international trade in which we have a large stake as a trading nation. We have consciously adopted a rigorous régime for we believe that both for ourselves and for other countries, the economic principle of comparative advantage should prevail. These multilateral trade negotiations therefore promise for us as a small developing country the hope of bigger markets for the products that we can produce best.

If trade can be freer, there will then be greater movement of capital and technology from the developed to the less-developed countries. As a country that has achieved a relatively satisfactory level of economic growth in recent years largely because of foreign investments, we urge that in our deliberations, we bear in mind that the greater the freedom of trade to developed countries, the more likely the movement of capital and transfer of technology to countries requiring them.

My delegation therefore wishes to join our ASEAN colleagues in urging developed countries to adopt the principle of non-reciprocity in full towards all developing countries, particularly the least developed among us, in the multilateral trade negotiations. We also support the ASEAN stand that the least developed among the developing countries merit special treatment.

On international monetary developments, we hope that progress in trade liberalization will promote the early establishment of an effective monetary system and we are of the view that the monetary system should take into account the special characteristics of the economies of developing countries and of their problems in the fields of trade and development financing.

In negotiating for tariff reductions, we support the proposal of the higher the tariff the greater the reduction subject to the maintenance of a floor or threshold level in tariff reductions for GSP purposes. The United States suggestion to convert non-tariff barriers to tariffs and then to reduce them over a period of time seems to us a promising approach. It is heartening to note that Japan will continue to pursue a forward-looking and open external economic policy including measures to further open up and liberalize the Japanese market for the products of developing countries.

In sum, the Draft Declaration seems to us a promising basis for laying the foundation of a new and durable order in world trade on which the prosperity of our people depends. We are glad to note that an agreement has been reached on paragraph 7.

JOZSEF BIRO, HUNGARY,
MINISTER OF FOREIGN TRADE

Hungary has become full member of the General Agreement from 9 September. When expressing my gratitude to the contracting parties who have voted in favour of our membership, I should like to assure the Meeting that Hungary intends to take an active part in the whole work of the GATT, in particular in the multilateral trade negotiations to be launched by this very Meeting.

When Hungary started negotiations with the contracting parties, the Hungarian delegation made the following statement at the 23 July 1969 session of the GATT Council:

"Having applied for full membership, Hungary expects from the contracting parties the full observance of the most-favoured-nation treatment as described in the GATT and is ready to reciprocate it by the full observance of this most-favoured-nation treatment. One of Hungary's special concerns is connected with the conditions of her agricultural exports to some Western European countries, especially to countries forming the European Economic Community. We hope that within the GATT consultations and negotiations could be carried out leading to the satisfactory solution of these problems. When asking for full membership I should like to stress that Hungary does not wish to be treated in a manner different from any of the contracting parties, and is not willing to accept or consolidate any existing discriminatory quantitative restriction applied against her exports."

It is with satisfaction that I am able to state that the Protocol of our accession to the GATT guarantees our participation in the coming negotiations as full-right contracting party, on the basis of equal rights. This Protocol does not specify a target date wherefrom on the contracting parties who still maintain against Hungary certain quantitative restrictions, not consistent with Article XIII of the General Agreement, should eliminate any such discrimination. The Hungarian delegation however will participate in the further work under the assumption that the contracting parties concerned will meet this obligation efficiently and loyally within the shortest time.

Thus, Hungary intends to participate in these negotiations as a virtually non-discriminated country. This means that we shall conclude further agreements with the contracting parties on the basis of the assumption that our non-discriminated position will be soon restored not only theoretically but also in practice.

The share of Hungary in world trade is not significant. However, foreign trade of Hungary and her participation in the international economic co-operation has been developing dynamically. Consequently, similarly to the other small and medium-sized countries, it is also in the interest of Hungary that the steady development of her foreign economic relations should be ensured. This explains our active interest in the multilateral negotiations.

I should like to emphasize that Hungary is deeply concerned with negotiations aiming at the creation of the most favourable trade conditions for all countries. Our participation in these multilateral negotiations will be governed by our principles and by our economic interests.

Our approach is based on the full application of the principles of equality and reciprocity among trade partners, regardless of their respective economic and social system. Hungary is ready to make an active contribution to the success of the negotiations directed to the above-mentioned objectives.

Our interests demand that in the course of the reshaping of international trade, the concessions given and received through the negotiations should be well balanced for each country. This is the only way to share the advantages of the international division of labour. The specific position and structure of this country call us to pay particular attention to the problems of agricultural trade.

A substantial part of our exports to the contracting parties is represented by agricultural and food products; therefore we are interested in solutions whereby non-discriminatory and fair access would be created for our agricultural export products to foreign markets and in particular, to that of the EEC. The reshaping of the agricultural trade, in which a number of other GATT countries are also highly interested represents a key issue of the negotiations. We are well aware of the fact that though serious efforts are needed to solve these problems, no successful conclusion of the negotiations can be expected without the arrangements in the field of agriculture.

As a consequence of the dynamic development of Hungarian industry, besides the export of agricultural and food products, we have an ever-growing interest in the field of manufactured and semi-manufactured goods as well.

Our export and import nomenclature is fairly wide, consisting of several thousand tariff items on both sides. It is thus easy to understand that the general rules and conditions of international trade to be dealt with in the course of these negotiations affect our interests directly. Here we shall advocate once more the principle of equal rights, the elimination of discriminations and fair conditions of access to markets.

When adopting the principles and objectives of the negotiations contained in the Declaration of Tokyo, I should like to underline that the participation of Hungary in the forthcoming negotiations will be based on the principles and will be consistent with the interests stated above. Our participation, and the scope and character of our eventual undertakings depend on the extent to which we can ensure in the course of these negotiations the economic conditions favourable for the above objectives including the further economic development of Hungary.

Hungary, in accordance with her traditional policy, supports the legitimate demands of the developing countries. From January 1972 she has been applying preferential tariff treatment in favour of the developing countries. Thus we support the provisions contained in point 5 of the Draft Declaration when stating that the participants of this Meeting "recognize the importance of the application of differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of the negotiation where this is feasible and appropriate."

JUSTIN KEATING, IRELAND,
MINISTER FOR INDUSTRY AND COMMERCE

I would like to say, on behalf of the Government of Ireland, that we are pleased to join, as one of the member States of the European Economic Community, in the multilateral trade negotiations which are being launched at this meeting.

Ireland is, of course, completely at one with the other member States of the Community in their approach to these trade negotiations. We share particularly in the belief that the policy of trade liberalization, to which the Community has already contributed so much, should be confirmed and further pursued in the course of the negotiations and we hope that the beneficial effects of the liberalization achieved will be as far reaching and as universal as possible.

Ireland has reason to recognize the benefits which the freeing of trade can bring. Our economy depends to a large extent on a high rate of agricultural exports; moreover, our steady progress in recent years towards an expanded economy and a higher degree of industrialization has depended heavily on increasing exports. It is simply not possible to widen the base of a small country's economy without developing and diversifying exports. Equally, it is a truism that it is not possible to achieve a substantial increase in exports without a corresponding increase in imports. The extent to which our economy is dependent on international trade is shown by the fact that the value of our total trade is now approximately 75 per cent of our gross national product.

The value of our exports increased by an average annual rate of 12 per cent in the period 1960-1970. The rate of increase in more recent years has been much faster. Ireland has one of the most "open" economies in the world.

So practical experience has shown us the value of trade liberalization, provided always that it is negotiated on principles which will allow stable and balanced economic relations to be achieved and results in a situation where there is as much real equality of opportunity as possible for all countries, especially the developing countries. This means of course that the negotiations should help the developing countries to secure an equitable share in the advantages resulting from trade expansion and should remove the present gross inequalities which inhibit their economic and social development. It seems to me that the Draft Declaration now before us provides, in its second and fifth paragraphs particularly, full scope for such action.

The reason for this preoccupation with the developing countries is not based on philanthropy, and not simply on the desire to acknowledge a past injury or redress a wrong.

Providing a path for the calm, peaceful and rapid extension of the developing countries to a standard of living comparable with that of the older, industrialized economies is, for every developed country, a matter of self-interest

In recent decades, while we may have legitimately congratulated ourselves at GATT conferences on the dramatic expansion of world trade, we cannot be complacent about the situation of the primary-producing countries. The inequalities between rich and poor, and the consequent tensions have grown. These must be eliminated if the world is to evolve peacefully.

Another element which is essential if world trade is to prosper in equitable conditions is the existence of safeguard provisions which make it possible to take action where transitory difficulties arise in particular sectors. Because Ireland has been involved in fairly rapid adaptation to free-trade conditions this is a matter which has been of concern to us for some time. The provision contained in the Draft Declaration making it possible to introduce improvements in the application of the existing multilateral safeguard system is in my view most important.

I have picked these two items for comment, the one because it echoes our concern for the improvement of opportunities for the less-favoured countries of the world and the other because it touches on difficulties we have experienced in practice. For the rest, I consider that the Draft Declaration now before us is a satisfactory statement of the objectives of the multilateral trade negotiations and an adequate framework within which the negotiating committee can set about its work. I am confident that negotiations carried out in accordance with its provisions can bring about the desired expansion of world trade and result in the improvement of the standard of living of all of the peoples of the world which is its object.

JAN STRBA, CZECHOSLOVAKIA,
DEPUTY MINISTER OF FOREIGN TRADE

The Czechoslovak Socialist Republic whose national income is to a great extent dependent on foreign trade has traditionally and consistently supported the efforts for the liberalization of international trade the evidence of which is given by Czechoslovak participation in all past GATT conferences.

The expansion of international trade is considered by us as one of the important conditions for the development of peaceful co-operation and mutual understanding among nations. For this reason we support the co-operation of the greatest number of countries on agreed measures aimed at this objective.

We are also convinced that purposeful measures directed at further development of international trade can assist the developing countries to increase their foreign exchange earnings, diversify their exports and accelerate the growth of trade in the interest of their development needs and a better share in the expansion of world trade.

For these reasons the Czechoslovak Socialist Republic has actively participated in the preparatory work under the Programme for the Expansion of International Trade since its beginning and is interested in the successful results of multilateral trade negotiations to be declared officially opened by the Declaration.

However, in contrast to the previous conferences held under the auspices of GATT no precise rules and guidelines have been provided in advance for the forthcoming negotiations, because of a number of unsolved problems and questions at issue existing among a number of contracting parties. A number of questions even of procedural and methodological nature will be solved only at the negotiations themselves in the Trade Negotiations Committee.

We have assumed that - if not in the preparatory stage - at least on the occasion of the official opening of the negotiations here in Tokyo it would be evident which rules and negotiating procedures would be established. However, the wording of the Draft Declaration thenceforth leaves a number of these questions without unequivocal answer. It is because of this situation that we have so far not been able to seek from our Government full authority for the negotiations.

We are afraid, therefore that the authority to notify our participation in the multilateral trade negotiations, which we shall be able to seek from our Government on the basis of the results of this Ministerial Meeting, might contain certain conditions, in view of the fact that not all the approaches to solutions and methods outlined in the documents submitted so far appear to be equally acceptable to us. We shall, however, see to it that the necessary constitutional proceedings are dealt with as soon as possible. To all those countries which have already indicated their willingness to open the negotiations and whose names will be indicated in the Declaration we wish the best of success at the outset of their work.

We would also like to express our hope that these negotiations will also help in solving the many problems that developing countries still have, hereby improving not only their position in the world trade but also the standard of living of their people.

LEOPOLDO DIAZ BRUZUAL, VENEZUELA,
PRESIDENT OF THE FOREIGN TRADE INSTITUTE

(Translation from Spanish)

The delegation of Venezuela wishes to express, through your intermediary, Mr. Chairman, its appreciation to the Government and people of Japan for the cordial and generous hospitality extended to us, and for their interest in the holding of this important meeting at Tokyo.

Mr. Chairman, my delegation would also like to take this opportunity to express publicly the sorrow of the Government and people of Venezuela at the death of an illustrious and valiant Latin American, Dr. Salvador Allende, President of Chile.

It is the hope of mankind that arrangements beneficial for the developing peoples will result from this round of multilateral trade negotiations.

There have been many meetings like this one, held with the intention of furthering the progress of the less-advanced peoples of the world. And there have likewise been many statements, speeches, announcements and good intentions resulting from them to the effect that promotion of the economic, social, cultural and political rights of the under-developed countries should be an objective for those who today make up the small group of what are termed "rich countries".

This round of trade negotiations is of particular importance for the developing countries. In recent years, many significant economic events have occurred which have had major repercussions on the legal and economic framework of world trade and the world economy.

The Kennedy Round, which was held and completed at a time of relative monetary stability, yielded tariff reductions that were primarily of benefit to the countries that today make up the European Economic Community and to Japan. This circumstance, in conjunction with concrete economic factors, made possible a considerable expansion in the exports of these two areas, to such a point that in the 1960's Japan's foreign sales developed at a rate almost double the world average, and the European Economic Community assured its position as the major trading power of the world. The United States, for its part, offset this relative loss of ground in the trade field by increased penetration of the Japanese and Western European economies. Increased United States investments in these areas were favoured and encouraged, among other factors, by the relative over-valuation of the dollar which allowed real assets to be acquired at a price below their economic value.

The circumstances just mentioned changed as a result of the devaluation and inconvertibility of the dollar in relation to gold, and in addition, the revaluation of the European and Japanese currencies in relation to the United States dollar. This realignment of parities in the monetary field is

reflected in the trade field by a relative rise in prices of manufactures in the countries that have revalued and a decline, also relative, in the price of goods originating in the areas that have devalued their currency. It is, of course, very difficult to calculate to what extent monetary changes have affected the competitiveness of products of these countries in international trade. Nevertheless, one can state that theoretically they have caused some change, and a very important one. The balance-of-payments surpluses of the European Economic Community and Japan are encouraging and facilitating an increase in their investments in third countries. All these considerations bring out the fundamental importance of these multilateral trade negotiations for the United States, the European Economic Community and Japan.

The situation is different for many developing countries. Those that do not have a broad range of goods to sell cannot have purely trade objectives. An examination of the trade of the developing countries over the past decade shows that there has been a deterioration of the relative position of both their exports and their imports, and a loss of buoyance. All this, despite the Kennedy Round and the Generalized System of Preferences. The reason for this general situation lies more in the structure of our economies than in the barriers existing in world trade. By way of example, on the basis of figures concerning my own country one can state that nothing would happen if the major industrial powers reduced to zero their tariffs on Venezuela's non-traditional exports, because the weighted average of the tariffs of these countries is less than the difference in relative prices between the two economies. It follows that if we are to be realistic, our interest at the present time is not in the exclusively trade field. Consequently, if the true intention is that these multilateral trade negotiations should take account of the interests of the developing countries, the scope of the negotiations should be broadened to include the complementary aspects already proposed by my Government and by the other countries that have signed the Cartagena Agreement, the so-called Andean Group, in the Preparatory Committee; and because those complementary aspects have not been included, we were obliged to state our disagreement with the report of the Committee and with the draft Declaration prepared for this meeting.

Unless the scope of the negotiations is extended to include other aspects, such as development financing, trade promotion, the transfer of technology and transport, these negotiations will be very useful and necessary for the United States, the European Economic Community and Japan, but entirely secondary and marginal for many developing countries.

In conclusion, I wish to reaffirm my Government's disagreement with the draft Tokyo Declaration because of the fact that it does not correspond to the interests of the developing countries. We hope, nevertheless, that before initiating the negotiations the developed countries will change their present position and accept the just requests that some of the developing peoples are making.

A. VAZ PINTO, PORTUGAL,
SECRETARY OF STATE FOR TRADE

In spite of its modest share in world trade and of the constraints resulting from its level of economic development, my country is among those who did not hesitate from the outset to take a positive approach towards the initiative launched by the joint declarations Japan-United States and EEC-United States of February 1972. These declarations meant in fact a turning point in the train of events that followed the crisis which struck the international economic system in the summer of 1971.

We have felt then that the opening of a new round of negotiations at world level in the framework of GATT should not be looked upon as just one more exercise in international bargaining of a purely commercial scope. The negotiations should be regarded as part of co-ordinated attempt to restore a sound order both in monetary and commercial affairs and to adjust the institutional framework of international economic relations to the major changes that had taken place in the pattern of such relations in the last few years. Furthermore a new impetus to international action in favour of developing countries should be expected.

It is encouraging to see that the will to negotiate seems to have prevailed upon the temptation to engage in a sterile and dangerous confrontation.

The "Tokyo Declaration", which we are now about to approve, materializes the first achievement of our common efforts towards the objectives I have just mentioned and provides an acceptable starting point for the negotiations ahead.

May I add now, a few remarks on a number of specific points which my delegation considers of major interest in the context of the forthcoming negotiations.

In the first place I would like to stress that we fully support the broad principles of the Draft Declaration, concerning the conditions for the participation of the developing countries in the negotiations.

In doing so we take it for granted that, in applying the concepts of non-reciprocity and special treatment in favour of developing countries, due regard must be paid to the principle of non-discrimination which is the corner-stone of the General Agreement. It is fully recognized that the same standards of treatment should not be applied to countries in different levels of economic development. But as a necessary complement it should be added that countries in similar stages of development should be given the same treatment regardless of their geographic situation or of their economic and social system.

Another issue to which my delegation attaches a great importance is the improvement of the present system of safeguard clauses. We fully share the feeling that the existing system needs to be revised, though the aim should be, in our view, not to unduly facilitate the resort to such measures but, on the contrary, to ensure that its use will be subject to a stricter international discipline under effective multilateral control.

Thirdly I would like to emphasize that, in spite of the fact that the negotiation of a new textile arrangement is being carried out in a specific body, the existence of a link between the final outcome of that exercise and the progress of the multilateral trade negotiations cannot be overlooked.

Finally and concerning the agricultural sector, it should be recognized that appropriate solutions ought to be negotiated not only with regard to a few important agricultural products which usually attract greater attention, but also with regard to products, whether of tropical or temperate zone origin, that, although playing a smaller rôle in world trade, are of great significance to the economies of particular countries or groups of countries.

On behalf of the first European country who has established, four centuries ago, friendly relations with Japan, may I address through you, Mr. Chairman, a word to the host Government and to their distinguished representatives to express our feeling of gratitude, not only for the quality of their hospitality and courtesy, but also for the rôle played by Japan to mobilize the political will which has made possible the realization of this Conference. It is only fair to recognize that the constructive and conciliatory spirit displayed by the Japanese Government has contributed decisively to create a favourable psychological and political atmosphere without which the efforts made from many sides - notwithstanding the immense work that fell upon the shoulders of the Director-General and his staff - would probably not have been successful.