

# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES  
Fortieth session

SUMMARY RECORD OF THE FIFTH MEETING  
Held at the International Labour Office,  
on Wednesday, 28 November, at 3 p.m.

Chairman: Mr. H.V.Ewerlöf (Sweden)  
(for the first three statements)  
Dame Anne Warburton (United Kingdom)  
(for the remaining statements)

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Report of the Council (L/5734/Add.1) continued

The CHAIRMAN invited the Chairman of the Council to report on the results of the consultations that he had been holding on certain items of the Work Program.

Mr. JARAMILLO (Colombia), Chairman of the Council, reported that the consultations had continued intensively and had, in his opinion, produced positive results. However, he considered that an additional effort was necessary to enable him to submit a final report which would be acceptable to all contracting parties. Consequently, he would prefer to delay making a final report until the following day.

Activities of GATT

The CHAIRMAN said that under this item, contracting parties would have the opportunity to consider any other reports presented to them directly and to take action on any matters not dealt with under other Agenda items. The basic documents were the Report of the Committee on Trade and Development (L/5735) and the Reports of the MTN Committees and Councils<sup>1</sup>. He said that it was his understanding that under this item of the Agenda, contracting parties, for the most part, would wish to make general statements, including those related to general aspects of the Work Program resulting from the 1982 Ministerial Meeting.

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<sup>1</sup> Committee on Technical Barriers to Trade (L/5703), Committee on Government Procurement (L/5722), Committee on Subsidies and Countervailing Measures (L/5719), International Meat Council (L/5690), International Dairy Products Council (L/5693 and Add.1), Committee on Customs Valuation (L/5729), Committee on Import Licencing (L/5696), Committee on Trade in Civil Aircraft (L/5698), and Committee on Anti-Dumping Practices (L/5724).

Mr. SHUKLA (India), speaking on behalf of developing contracting parties, read out the text of document L/5744 entitled "Improvement of world trade relations through the implementation of the work programme of GATT".

Mr. REISCH (Austria) recognized the progress made in some areas of the Work Program, referring in particular to the recommendations by the Committee on Trade in Agriculture, the work done by the Group on Quantitative Restrictions and Other Non-Tariff Measures, the consultations within the Committee on Trade and Development and the decisions taken by the Council in November 1984 on the MTN Agreements and Arrangements, and on the export of domestically prohibited goods. Austria considered, however, that progress had been modest. He added that world trade continued to be threatened by growing protectionism, especially in the field of non-tariff barriers, and the growing number of safeguard measures was of special concern for smaller countries substantially dependent on foreign trade; these tendencies should be stopped and reversed.

Austria supported the proposed new mandate for the Working Party on Textiles and Clothing, and considered that it would be necessary<sup>1</sup> to start the negotiations provided for under Article 10:5 of the MFA<sup>1</sup> in order to achieve well-balanced results before its expiry. Turning to dispute settlement, he said adequate steps should be taken to ensure compliance with panel recommendations. He went on to say that Austria was ready to co-operate with other interested delegations on the issue of trade in counterfeit goods. Referring to the status of observers, his country considered that this should be a first step towards accession to the General Agreement.

He announced that with effect from 1 January 1985, Austria would implement the sixth and seventh stages of its Tokyo Round tariff reductions and that these would be matched by corresponding reductions in the GSP preference rates for developing countries; Austria was also prepared to advance the last stage by one year if its major trading partners did the same. Furthermore, with effect from 1 January 1985, the conditions of access to the Austrian market for certain spice and solid coffee extracts would be further improved in the Austrian GSP. Additional improvements had recently been made with respect to imports of handicraft products from developing countries. Austria was also prepared to make a financial contribution of up to US\$ 100,000 for implementation of a project on supply and demand surveys in the Eastern and Southern African Preferential Trade Area states within the ITC.

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<sup>1</sup>Arrangement Regarding International Trade in Textiles (BISD 21S/3) as extended by the 1981 Protocol (BISD 28S/3).

He said that all possibilities within the GATT framework must be used to meet the needs of the least-developed countries. He pointed to the Generalized System of Preferences as an important instrument, and said that other special measures, such as more favourable treatment for handicraft products, could increase export possibilities for those countries. He emphasized, however, that the "enabling clause" (BISD 26S/203) should not be seen as a permanent exception, but as a visionary program helping the developing countries to reach a stage of economic development where a more integrated participation in GATT on the basis of a balance of rights and obligations would be possible.

He noted that several contracting parties had stressed their interest in specific items of the Work Program and their reluctance to proceed with others, and had tried to establish a linkage between them. Austria considered that the CONTRACTING PARTIES should try to advance work as far as possible on all the items without trying to block progress in some fields because of delays in others. Referring to the possibility of a new round of multilateral trade negotiations, he said that such a round would have to be supported by the majority of contracting parties and should therefore cover areas of substantial interest not only to developed but also to developing contracting parties.

Mr. DE LA DEHESA (Spain) said that the present economic situation was more difficult to analyze satisfactorily than at any time since Spain's accession to the General Agreement in 1963. This was for two reasons: first, governments were pursuing a wide diversity of national trade policies which in many cases were inconsistent with GATT and which were undermining the advantages of an open multilateral trading system; second, there was no coherent relation between policies concerning monetary, fiscal, financial, development and social welfare issues on the one hand, and trade policies and the objectives of the General Agreement on the other.

He said that the 1982 Ministerial Declaration had reaffirmed confidence in the multilateral trading system in the face of the dangers of protectionism and increasing tendencies towards bilateralism. The Ministerial Declaration had also made a longer term commitment, as expressed in the various elements of the Work Program, to improve the functioning of the trading system. As regards the standstill and roll-back commitments in the Declaration, the situation was not satisfactory; new protectionist measures had been taken by major trading nations, which had adversely affected smaller contracting parties and which tended to have a multiplier effect on the world trading system at large. Despite these difficulties, Spain had tried to resist protectionist pressures, but these efforts would be helped by continued and more determined action by its trading partners to stem protectionism.

Referring to the Work Program, he said there had been some progress in areas important to many contracting parties, including agriculture and quantitative restrictions and other non-tariff measures. In other areas, particularly safeguards, progress had been limited. He noted that there were differing views on what had been achieved, which were explained in part by the initial expectations of various contracting parties. While there was a need to supplement trade policy initiatives with co-operation in other fields of general economic policy, he said there were grounds for guarded optimism. Nevertheless, protectionism had not been effectively arrested, and contracting parties needed to reaffirm their faith in GATT as the only framework for ensuring the maintenance of an open trading system. Efforts had to be made to improve GATT rules and disciplines, and contracting parties needed to recognize and take account of each other's interests if the objectives of the General Agreement were to be attained, including full employment and higher living standards. In this regard, Spain would continue to support the efforts to carry out the Work Program.

Mr. HAQUE (Pakistan) recalled the commitments by Ministers in 1982 to contain and reverse the protectionist course of their trade policies and to engage, through a comprehensive work program, in exploration of liberal, multilateral and enduring solutions to replace restrictive, makeshift trading arrangements. While these commitments had strengthened confidence in GATT's capacity to respond to challenges threatening the multilateral trading system, that confidence was now waning. Economic and political pressures had combined and multiplied to strain governments' capacity to combat protectionism, and contracting parties had not been fully able to live up to their 1982 commitments. Though world trade had recovered in 1983, the international economic situation had been marked with general business uncertainty, tightening of market access, unsound monetary and fiscal policies in the major countries leading to harmful effects on exchange rates, unsettled and looming debt problems, and weakening of investment in the trade sector.

He said that slow progress in implementing the Work Program had revealed the persistent and intractable nature of the underlying problems and the limited capacity of governments to resolve them; while effective solutions were considered too bold or unrealistic, other solutions had been suggested which would shift the burdens of trade liberalization to those countries least equipped to carry them. Prospects for trade expansion had dimmed in textiles, where multilateral discipline traditionally had been weak and where protection for the industry was an easy option. Access to markets had been tightened by more severe implementation of the MFA, increasing reliance on additional trade restrictive measures and a general disregard for equity provisions.

He emphasized that as a small trading nation, Pakistan was fully exposed to the cross-currents in the international financial and trading system; its export strategies had been overwhelmed by the growing restrictiveness of the trading system, high interest rates, foreign exchange instability and slower economic activity in its major markets. Only an open trading system would enable the smaller contracting parties to expand their exports and overcome their persistent balance-of-payments problems. The first step towards maintaining a liberal trading environment had to be a fuller commitment to GATT rules and principles, as well as renewed and more credible efforts to halt and roll back protectionist trade policies, particularly in sectors of interest to the developing countries such as textiles and agriculture. A second step would be to liberalize trade in such sectors through appropriate measures, bearing in mind the special needs and circumstances of the developing countries. Pakistan was concerned that the will to move in that direction had not yet been displayed and that emphasis in the Work Program had shifted onto themes of uncertain economic and legal validity. With this in mind, his delegation supported the approach presented by India in L/5744.

Finally, he emphasized the need to press ahead with certain elements in the Work Program, in particular the work on trade in agriculture which could open prospects for developing countries to engage in fair trade competition. While these countries were eager for rapid implementation of the Program, inherent difficulties and differing interests meant that progress on various elements could only be made at varying paces. A credible atmosphere was necessary to ensure fulfillment of the broad objectives of the Work Program.

Mr. MBAGA (Tanzania) said that even though the outlook for world trade had improved, the basic problems facing international trade were defying effective solution. Despite commitments taken at both the 1982 GATT Ministerial Meeting and at UNCTAD VI in 1983 to halt and roll back protectionist measures, pressures for such measures continued unabated. Furthermore, an increasing number of protectionist measures were being negotiated and agreed upon outside the legal framework of GATT. The 1982 Work Program had not been implemented as rapidly as had been expected. Work on so-called sensitive areas such as trade in agriculture, safeguards, "grey area" measures, subsidies, and textiles and clothing had been exceptionally slow. While the problems and solutions were well known, political will on the part of contracting parties to deal with them effectively and quickly had been lacking.

He recalled that his country had taken an active part in the consultations on tropical products and in the Sub-Committee on Trade of Least Developed Countries. Tanzania had submitted a request list to its major trading partners for tariff and non-tariff concessions on tropical products; while it did not expect to receive complete answers during the ongoing consultations, it did expect a substantial reduction in

tariff and non-tariff barriers. However, the response from its trading partners so far had been slow and piecemeal, and he hoped that they would now give more attention to the request lists and make a solution possible in due course. He noted that Tanzania had held consultations with its major trading partners in the framework of the Sub-Committee on Trade of Least-Developed Countries, on the basis of a request list for reduction or removal of tariff and non-tariff barriers. He was optimistic that increased market access would be provided for his country's agricultural, commodity and manufactured exports.

Tanzania believed that further efforts to liberalize international trade should continue, notwithstanding recent setbacks to this process. Contracting parties should not be lured into a new round of trade negotiations, as much unfinished work from the previous rounds, particularly the Tokyo Round, still remained to be done. He reiterated his country's position that GATT was not the appropriate forum for considering trade in services. Other bodies in the United Nations system had more competence as well as the institutional framework to study this issue. Tanzania would therefore not support any effort or initiative aimed at expanding GATT's rôle in services beyond what had been agreed at the 1982 Ministerial meeting; the rôle assigned to the Secretariat by the Ministers had been not more than that of a post office, to compile and distribute information received from interested contracting parties.

Mr. LECHUGA (Cuba) said that the CONTRACTING PARTIES were meeting once more in a climate of crisis and uncertainty particularly acute for the developing countries. While the volume of world trade had increased slightly in recent months, this had been offset by an overall decline in export prices; the dollar value of world trade had dropped for the third consecutive year in 1983, and forecasts indicated that further deterioration seemed likely. The slight recovery had not been an incentive for developing countries' exports. Intensified protective measures, restricted access to markets, and increasing bilateralism exacerbated the problems of weaker economies, particularly those carrying the burden of international indebtedness. He said no progress had been made recently on major trade problems due to an absence of political will. There had been no substantial progress on the Work Program, and agreements reached by the Ministers in 1982 were being disregarded; proof of this was the growth of protectionism in the major developed countries, the backing away from multilateral trade rules, an increase in trends towards bilateralism, the application of trade measures for political reasons, and the tendency not to grant special and differential treatment in favour of developing countries as required by Part IV of the General Agreement.

Regarding a new round of multilateral trade negotiations, he said there was no point in talking of this when agreements reached two years earlier were being disregarded. He referred to the US action on Nicaragua's sugar quota and said this had shaken the disciplines that

contracting parties had undertaken to observe, and had dealt a blow to confidence in GATT mechanisms. This was the climate in which multilateral negotiations were being proposed by some industrialized countries with a view to arriving at agreements on services and high-technology products. He recalled Decision No. 192 of the Latin American Economic Council that GATT must confine itself exclusively to trade in goods and had no competence in the area of services. Consideration of this issue at the international level had to aim at preserving the economic development objectives pursued by developing countries; it was therefore essential to have fuller knowledge of the rôle of services in the development process. He said that in many important areas of the Ministerial Declaration no progress had been made, and in some, such as safeguards, tropical products, textiles and quantitative restrictions, no concrete results had been achieved in more than 20 years. In conclusion, he said that if GATT was to serve the trade interests of all contracting parties, problems affecting the majority of them had to be tackled in a constructive spirit, agreed undertakings had to be carried out, and existing rules, recommendations and decisions had to be respected.

Mr. RANTANEN (Finland, on behalf of the Nordic countries) noted that after two years of stagnation and decline, the world trade situation had somewhat improved. However, the recovery remained differentiated internationally, prospects beyond 1985 did not look very encouraging, and the debt situation was likely to remain a serious threat to the stability of the international economic system. The GATT system had so far stood up relatively well, but it was under considerable strain. If contracting parties wanted to strengthen the confidence of the business community in the functioning of the multilateral trading system, they would have to maintain GATT's credibility. Commitments to roll-back and standstill, which had been agreed at the 1982 Ministerial meeting, were valuable as an expression of political will, but they alone could not improve the situation; concrete actions were necessary.

He noted that a number of countries, including the Nordics, had decided to advance their Tokyo Round tariff cuts. These decisions had to be appreciated as building confidence in the trading system. He stressed that the effects of these accelerated tariff cuts would be amplified if all trading partners, particularly the major ones, took similar actions. The Council's special meetings to review developments in the trading system were playing an increasingly constructive rôle in encouraging countries to carry out the commitments contained in paragraph 7(i) of the Ministerial Declaration; contracting parties should reflect on how those meetings could be further improved.

The Nordic countries believed that 1985 would be a crucial year for GATT. A joint effort was needed, based on the principle of consensus, to strengthen the trading system, together with evidence of political will by governments to implement commitments they had undertaken. This

would create a proper atmosphere for future decisions. Every effort should be made to boost implementation of the Work Program. He concluded by saying that it was the responsibility of the CONTRACTING PARTIES to provide the Secretariat with the necessary means to respond to demands for increased activity.

Mr. ALFARARGI (Egypt) noted that while the economic recovery had gathered strength and while the trade situation had improved following two years of stagnation and decline, further prospects appeared uncertain, particularly for developing countries. International trade was considered to be the engine of growth and was expected to pass on recovery in the industrialized world to the developing world; however, while recovery in North America had benefited the economic performance of a few countries, it had had no perceptible effect on a large number of developing countries, particularly in Africa. In fact the decrease in raw material and other primary commodity prices had resulted in continued deterioration of the terms of trade for developing countries, while those of developed countries had improved by one-half per cent in 1982 and an additional two per cent in 1983. This, combined with further intensification of protectionist tendencies in most of the developed countries, had caused a decline in the combined exports of many heavily-indebted countries in 1983.

He emphasized that the ability of developing countries to service their debts depended on their export growth. However, while their exports to industrialized countries were presently not growing, debt burdens were increasing due to persistent high interest rates in the developed countries. The resulting reverse resource flow to industrialized nations had serious implications for the investment and growth prospects of developing countries. He said that a number of developing countries, including Egypt, had been trying to adjust to the changing requirements of world trade and had taken steps to liberalize their import régimes and shift away from import substitution to export-oriented growth. These adjustments often involved great social costs which developing countries could ill afford to bear. Continuation of these efforts to promote growth based on increased exports depended on the extent to which they were complemented by similar efforts by developed countries to follow open trade policies. Developed countries should also make necessary structural changes in their economies by shifting away from industries in which they no longer had comparative cost advantage.

He went on to say that despite the commitment made in paragraph 7 of the 1982 Ministerial Declaration to resist protectionist pressures in formulating and implementing national trade policies, there had been no evidence of a roll-back of protective actions. On the contrary, the past two years had seen further intensification of barriers affecting, in particular, products of export interest to developing countries. In addition, so-called voluntary export restraint arrangements continued unabated and the tendency to find ad hoc solutions to trade problems on



a bilateral basis, often in circumvention of GATT rules, remained unchecked. He cited in particular new trade restrictions on textiles, through rules of origin being applied in addition to the already restrictive provisions of the MFA.

He emphasized the interdependent nature of the modern world, and that countries could not afford to pursue trade policies that reduced or negated trade opportunities of other countries. He noted that restricting imports from developing countries, and thus reducing their export earnings, impeded developing country import capacity. His delegation endorsed the statement by India in L/5744 and considered that any proposal for a new round of negotiations in GATT would be of little interest to developing countries unless developed countries took steps to roll back protectionist measures, and to implement those elements in the Work Program of particular interest to developing countries. He concluded by saying that although GATT stood for trade liberalization, it was often -- particularly in developing countries -- mistakenly considered as a treaty permitting the imposition of trade restrictions. Concrete demonstration of political will by developed countries to remove barriers affecting the trade of developing countries would be the way to change this image.

Mr. TONWE (Nigeria) said that while some advanced countries had experienced a degree of economic recovery, the situation of most developing countries remained bleak; he mentioned the protectionist tendencies of developed countries against the products of developing countries, spiralling inflation, low or negative growth rates, severe imbalance of payments, deteriorating terms of trade and a worsening debt service ratio; high unemployment and high interest rates resulting from the monetary policies of developed countries had also been important factors. Many of the present difficulties were particularly acute in Africa, where modest economic recovery in some countries had had no perceptible impact on the trade and economic prospects of the region, and where the failure of critical crops had created serious food shortages in a number of countries. The decline in commodity prices had led to further deterioration in the terms of trade of most African countries, and their debt burdens had continued to increase. Unless developed countries stopped maintaining and introducing new protective measures, the international trading system could not guarantee free market access for exports of particular interest to developing countries. Current protectionist pressures in the global trading system seemed to threaten GATT's very existence.

One of the basic aims of the 1982 Ministerial meeting had been to express confidence in the GATT system. Nigeria urged all contracting parties to intensify their efforts to give effect to their individual commitments in paragraph 7(i) of the Ministerial Declaration. His country believed that an essential first step to improve the existing trading system was for countries to carry out fully the existing Work

Program, and he referred specifically to trade in agriculture, which was of crucial importance to developed and developing countries alike. Trade in this sector had been very restrictive and while some work had been done in the Committee on Trade in Agriculture, little progress had actually been achieved. Unless developed countries opened their markets to agricultural exports of developing countries, the latter would continue to be plagued by severe economic difficulties. He also referred to work in the tropical products sector, which he said had remained stagnant for some decades. Developing countries, including Nigeria, had forwarded requests for trade liberalization in tropical products, but had received no significant responses so far from its developed country trading partners. In the area of the generalized system of preferences, he said his country continued to be denied the benefits of GSP treatment in the market of a major trading partner and hoped this situation would be reviewed soon. He regretted that no decision had yet been taken on the safeguards issue which was a crucial aspect of the Work Program. Finally, he said that despite current economic difficulties, his country remained fully committed to the letter and spirit of the General Agreement.

Mr. LUYTEN (European Communities) said that although the Community's production had grown by 2.2 per cent in 1984 and was expected to be a shade higher in 1985, the recovery from the 1980-82 recession had been painfully slow. Massive unemployment had become a constant feature in the Community, where more than 12 million workers were expected to be without jobs in 1985. The overall situation concealed the more serious effects of regional unemployment, which in some cases had exceeded 25 per cent, hitting school leavers particularly hard. Despite the adverse effects on the levels of employment, certain traditional industries were going through the painful process of restructuring and contraction. On the brighter side, however, inflation had largely been controlled, excessive budget deficits had been curtailed and even some reductions in levels of taxation were contemplated. The strategy which the Community was following to mend its economy consisted of three essential components: a reversal of growth in public expenditure, increased convergence of monetary policies on stability, and reduced rigidity in labour markets so as to increase the propensity of enterprises to create jobs. Recessionary conditions, and high unemployment rates in particular, had to some extent exerted pressure on trade policy. By and large, however, the Community's market had remained open because it believed that free trade was in the interests of both developed and developing countries and that it contributed to economic growth. His delegation considered that pessimism had been overdone, and it questioned whether protectionism had really been on the rise and whether free trade had in fact declined.

In the complex field of international trade, facts spoke louder than slogans and tended to be more instructive than facile over-simplification of the situation. The facts were that world trade in 1983 (and even more in 1984) had expanded remarkably - in terms of

the volume of business done - given the sombre macro-economic and monetary conditions prevailing in most of the world. He noted that in 1983, trade in manufactures had grown by 9 per cent in value terms from developing countries, and exports of manufactures from developing countries to industrialized countries had grown by 15 per cent. He noted that the GATT report on International Trade 1983/84 confirmed the continuation of the uptrend, and forecast that world trade in 1984 would increase by 8 per cent in value and even more in volume terms. The growth in world trade had been mainly due to economic recovery in the United States, where imports from all areas, except from those dependent on oil or raw materials, had been far larger in 1983 than the increases which had accompanied the 1975 economic recovery. The Community had also substantially increased its imports in 1983; by 10 per cent from ASEAN countries, by 11 per cent from Latin America and by 9 per cent from Japan. The uptrend was expected to continue and even to improve in 1984. However, his delegation believed that increases in world imports should be shared by all developed countries, particularly by those which had been least severely affected by economic recession. In this respect, the trade performance of some other major industrialized nations, where global imports as well as imports from developing countries had dipped sharply in 1983, was a cause for concern.

He noted that the world economy and the international trading system were confronted with heavy indebtedness, erratic and wide fluctuations in exchange rates, and instability of commodity prices. There was a need for a return to sustained non-inflationary growth, including a resumption of the development process in the developing countries. Protectionist pressures had to be vigorously resisted, but it was counter-productive to exaggerate the extent to which protectionist measures had been adopted. The Community pledged full cooperation in tackling both old and new problems of international trade policy and appealed to its partners to give new life to patient, quiet diplomacy in the tradition of GATT and to the search for a genuine balance of interests for all contracting parties.

Turning to the proposal for a new round of multilateral trade negotiations, he said the Community saw its prosperity as dependent on free and expanded trade in both goods and services, and it would therefore support reinforcing the multilateral trading system in the second half of the 1980s. However, a balance of interests for all participants had to be achieved. Referring to the statements by India in L/5744 and by other contracting parties on this subject, the Community considered that the process of consensus-building for a new round should not be based on inflexible positions on the contents of such negotiations at this stage, but should be undertaken with an open mind and in a spirit of compromise. The prospects for a successful new round would be enhanced by further economic recovery, and the Community also considered it important that the operation of the international financial and monetary system be improved. His delegation saw the

coming months as a period of continuing efforts to make progress on the 1982 Work Program. The credibility of the existing trading system should be restored by resisting new protectionist pressures and by dismantling individual trade barriers. In conclusion, he said the Community would welcome a GATT meeting at senior official level in the course of 1985, so as to determine whether a consensus had emerged on a new round and to consider what the object and timing of such negotiations should be.

Mr. TURKMEN (Turkey) said that this session took place against a world economic background which could not be viewed with optimism despite the continuation of the recovery in industrialized countries. Indeed, in many industrialized countries the growth of production had not attained the levels achieved in past recoveries. Not only was the momentum and durability of the recovery uncertain, but it had also failed to spread in any significant degree to the developing world. The increase in the volume of world trade, as a result of the recovery of the US economy, had made possible a certain improvement in the balance of payments of developing countries, but import contraction continued to account for a large share of this improvement. Furthermore, many developing countries continued to face serious imbalance of payments and were unable to stimulate economic and social development. Developing countries continued to be adversely affected by deterioration of their terms of trade, by high interest rates which obstructed their investment efforts and aggravated their indebtedness, and by the volatility of exchange rates. The further deterioration of the multilateral trading system compounded these problems.

The reasons preventing an export-led improvement in the economies of the developing countries were clear; primary among them were impediments and uncertainties generated by restrictive trade policies. Turkey, although a developing country, had in the course of 1984 removed many of its import restrictions and opened its economy to market forces. Additional liberalization policies were being regularly introduced, underlining Turkey's belief that its economy could not grow in isolation from the world. However, a policy of import liberalization could not be sustained in the long run unless exports grew at a corresponding rate. This was especially true for a developing country which carried a heavy debt burden and whose terms of trade had deteriorated. But Turkey, like other developing countries, was seeing its efforts to expand exports thwarted by increased protectionism and rigidities in trade policies of industrialized countries.

He said that the Work Program covered many fields of particular interest to developing countries which had put forward proposals (L/5647) in May 1984 for its implementation. The reports on the implementation of the Ministerial Declaration made clear that the expectations of the developing countries had not been met. Procedural arrangements were not a substitute for substantial progress, and in certain fields, such as textiles and clothing, the situation had further

deteriorated; the clear commitments contained in Part IV of the General Agreement and the Ministerial Declaration had not been fulfilled. Possible progress in a field of particular interest to developing countries had been subordinated to concessions in another area, into which the developing countries could not in fairness be asked to move at present.

He said there had been a distinct shift away from the search for multilateral solutions to trade problems, marked by increased bilateralism and talk of a two-tier system within the organization. GATT must be able to respond to the changing structure of the world economy; however, this should take place as a coordinated effort involving all contracting parties; in this regard, Turkey supported the statement by India (L/5744). A mere reaffirmation of a commitment to liberalize trade was not enough; the export capability of developing countries had to be increased, in order to enable them to take their place as equal partners in an interdependent world. A policy of structural adjustment would enable the developed countries to adapt to the challenge posed by market forces. Subsidies and import restraints did not in the long-run serve the interests of either consumers or taxpayers in importing countries, and created economic imbalance and inefficiency.

He referred to the need to support the open trading system and said that restrictive measures such as the MFA, which had been set up to be temporary, had become almost institutionalized. During the debate on the report of the Council, the harmful effects of the MFA for consumers and producers alike had been described and alternatives suggested. However, the Working Party on Textiles and Clothing indicated no willingness on the part of the importing industrialized countries to dismantle the restrictive apparatus which had been built up over the years, on the basis of the MFA but in a manner which deviated sharply from its original purpose.

In concluding, he said the time had come for a courageous demonstration of political will which would enable all contracting parties to reverse the deterioration in trading relations. The Work Program provided an excellent framework. What remained was to implement it fully. Failure to rise to this challenge would lead to the gradual disintegration of the system, the consequence of which would be borne by all countries, developed and developing alike.

Mr. FURULYÁS (Hungary) said that discipline in trading relations had not improved since the 1982 Ministerial meeting; more sectors had been subjected to restrictive and discretionary measures, observance of basic GATT rules had been further eroded, and international trade had been yet more compartmentalized; politically motivated trade restrictions reflected the same tendency. He emphasized that Hungary was a small trading nation, exposed heavily to the external trading

environment, and lacked the capacity to enforce its will bilaterally on its partners. In such circumstances, the predictability and stability of trade relations and GATT rules and disciplines were necessary prerequisites for successfully pursuing Hungary's economic objectives. He pointed to the emergence of a double standard in GATT; while weaker participants were expected to comply fully with their obligations, the major trading nations permitted themselves to resort to pseudo-juridical arguments including the existence of specific, exceptional situations and cultural or historical traditions as excuses for their non-complying behaviour.

Hungary regarded the work on agriculture, quantitative restrictions, textiles and safeguards as centrally important for the future of the GATT system. His country's aim was to create multilateral discipline in the agricultural sector, in which there would be stable, predictable access to markets for products enjoying comparative advantage in production and trade, and in which export competition would reflect competition of prices based on comparative advantage rather than subsidies. In regard to the work of the Group on Quantitative Restrictions and Other Non-Tariff Measures, his delegation was concerned that during the elaboration of the Group's report (L/5713), attempts had been made to blur the borderline between legal and illegal measures. Hungary supported the Group's recommendations on the understanding that elimination of quantitative restrictions and other non-tariff measures maintained inconsistently with GATT obligations should remain a priority. The work to be accomplished in this field should be considered in close relationship with paragraph 7(i) of the Ministerial Declaration. Referring to textiles and clothing, he supported work aimed at ensuring the full application of GATT provisions; this position stemmed from the fact that Hungarian exports were among those subjected to institutionalized, discriminatory restraints. On safeguards, he said that regardless of Articles I and XIII of the GATT, the safeguard system would necessarily become bilateral and discriminatory if selectivity became the rule.

His delegation had noted the particular interest of some contracting parties in some new issues. Each contracting party was entitled to pursue its own priorities; however, it was vital to ensure that all participants should see their interests covered and the possible benefits to be derived from consideration of new issues. It was equally important to ensure that new items were not treated at the expense of already recognized priorities, the solution of which had been evident for decades. Hungary doubted whether under the present circumstances a new round of multilateral negotiations would serve real trade liberalization. In order to ensure such liberalization, it was necessary first to return to GATT disciplines and to re-establish the full observance of such basic provisions as the m.f.n. principle and non-discrimination.

Mr. SUTISNAWINATA (Indonesia) supported the statement by India in L/5744. While appreciating efforts made in the areas of standstill and roll-back of protectionist measures, his delegation considered that progress had been far from satisfactory in the areas of textiles and clothing, Part IV, tropical products, dispute settlement procedures and structural adjustment. He reiterated the ASEAN countries' concern over protective actions taken by the United States on textile imports, which involved countervailing duty investigations on imports from several developing countries, and new country of origin regulations; he urged the US authorities to prevail upon the petitioners to withdraw their complaints, and endorsed the statement by Pakistan on behalf of developing country exporters of textiles and clothing (SR.40/2, pages 2-3). Regarding trade in tropical products, he reiterated his delegation's statement (L/5735 paragraph 42) on behalf of the ASEAN countries during the most recent meeting of the Committee on Trade and Development, in which they had proposed that developed countries consider aligning their duties to the lowest level of duty prevailing among them. His delegation welcomed the announced advance implementation of the Tokyo Round tariff reductions on the part of some developed contracting parties, as well as progress in the field of agriculture. He noted, however, that much remained to be done in some other sectors, including safeguards.

While the recovery in the United States appeared to be stronger and lasting longer than many had thought, and while virtually all the OECD countries were showing at least some signs of recovery, the economic performance of most developing countries had remained depressed and frustrating; in his delegation's view, the recovery could not be sustained unless third world countries could also participate. Concerning terms of trade, he cited GATT/1363 which included an estimate that the terms of trade of the oil-exporting developing countries, which had improved by about one-half per cent in 1982, had deteriorated by an estimated 1 1/2 per cent in 1983. While the measures that his Government had taken to deal with the problems created by the worldwide recession and declining oil revenues had had a positive impact, he noted that protectionism still persisted, particularly against his country's non-oil exports such as textiles and clothing; the potential dangers of high interest rates also continued. He reiterated the ASEAN countries' concern over budgetary matters, which the representative of Malaysia had expressed at the November 1984 Council meeting (C/M/183, page 86).

In conclusion, he appealed to all contracting parties to find ways to resolve long-outstanding issues, since long-term growth would depend on their ability to overcome these problems.

Mr. VIDAS (Yugoslavia) said that notwithstanding intense activity carried out by various GATT bodies over the past two years, the trade environment had worsened, the multilateral trading system had been further eroded and tendencies towards bilateralism had strengthened.

His country's concerns were fully reflected in the statement by India (L/5744). He added that measures taken outside or in contravention of the GATT had proliferated and that discipline in applying the most-favoured-nation clause had deteriorated. Developing countries had been hit particularly hard by protective measures imposed against their exports; this reflected an unwillingness on the part of developed countries to undertake necessary structural adjustment. Recent developments showed clearly that economic recovery in certain developed countries had not brought about a wider and more stable world recovery. The developing countries continued to suffer from declining terms of trade and sharp cuts in financial flows; these conditions had created a particularly critical situation for the least-developed and highly-indebted developing countries.

He added that in a situation where there had been no marked progress in implementing the Work Program, proposals to launch a new round of multilateral trade negotiations were inappropriate, particularly when these encompassed areas which were not within GATT's competence, and which would leave unresolved key problems affecting international trade in goods. Furthermore, the application of certain rules to only those contracting parties accepting them would further reduce GATT's universality. Urgent and concrete measures were needed to implement the Work Program, particularly in respect of measures to improve the position of developing countries in international trade; this would be the only credible way to preserve and strengthen the multilateral trading system in favour of all contracting parties.

Mr. BLANKART (Switzerland) said that the debates of the past two years had highlighted certain weaknesses in the General Agreement, or at least in its application, such as problems in safeguards, trade in agricultural products and trade in textiles. These weaknesses had become particularly apparent during the recession, which was not a cause but rather a symptom of these problems, and economic recovery would not eliminate them. The problems were inter-related: consideration of safeguards was linked to customs levies, and agricultural problems to quantitative restrictions and subsidies. In order to correct the system, it was no longer enough to improve existing instruments, as the context had changed; the trading system had to be enlarged. With respect to safeguards, thought should be given to the causes of such measures in order to get out of the seemingly impossible choice between selectivity and non-discrimination. It might be possible to modify the definition of these problems in such a way as to facilitate solutions to them. If the principles of most-favoured-nation treatment and non-discrimination were still considered to be basic to GATT, as Switzerland believed them to be, then the CONTRACTING PARTIES should consider how best to ensure their application.



He said that the problem of North-South relations under the General Agreement had arisen from the differentiation between rights and obligations, which had not yielded anticipated improvements. Referring to the newly industrialized countries, he said the implementation of preferential trade régimes had caused the differentiation between contracting parties to become more acute and had triggered a series of protectionist measures as compensation for the failure of the advanced developing countries to progressively assume obligations under the General Agreement. The elimination of the restrictive measures was linked to a greater integration of these countries within the GATT system of obligations. In addition, the unity of the system was impugned by the trade-off between the classic tariff concessions and those in the field of services and investment, and this development warranted consideration. Furthermore, there was a willingness on the part of a large number of industrialized countries to maintain the status quo in order to avoid the obligation to grant most-favoured-nation status more widely. This was one of the most lamentable and dangerous aspects of the present situation.

The Ministerial Declaration contained individual commitments to return to GATT principles, and terms of reference to work collectively towards solutions in sectors such as safeguards, agriculture, quantitative restrictions and North-South trade. The political relationship between individual and collective action had resulted in negotiation rather than implementation of commitments. The price to be paid, should the present system fail, would be considerable, and the CONTRACTING PARTIES had to re-establish trust among themselves and realize their own individual responsibility. Switzerland was doing this within the framework of the OECD by accelerating its Tokyo Round tariff reductions while reducing rates applied under the GSP. Each contracting party had to be prepared to commit itself to policies it would like others to adopt; this would enable all to define in a clear and convincing fashion the future orientation of the General Agreement's application, bearing in mind the new forms taken by international trade. In concluding, he said that respect for the system should be maintained while corrections to it were being effected, and that commitments should be followed by actions.

Mr. JAYASEKERA (Sri Lanka) supported the statement by India in L/5744, and underlined the view contained in the GATT report on International Trade 1983-84, that only the existence of a relatively unimpaired international price system, based on comparative advantage, could ensure rational investment decisions. He added that the proliferation of discriminatory protective measures had contributed to a deterioration of the trade system, and that there was an urgent need to return to the basic GATT principles of multilateralism and non-discrimination. A reaffirmation of the most-favoured-nation commitment would strengthen the system and would also reduce disparities in the relative bargaining powers of the smaller trading nations.

He said that while the industrialized countries appeared to be recovering from recession, the developing countries had not come out of their economic malaise to the same extent. The prices of raw materials, except in some cases, had not shown any improvement, and the manufactured exports of developing countries continued to face new and more sophisticated restrictions, while their debts grew. Sri Lanka believed that this situation called for differential and more favourable treatment for the developing countries.

In commending the program of consultations on implementation of Part IV, he considered that the report of the Committee on Trade and Development (L/5735) was useful and positive. Sri Lanka favoured the proposal that such consultations should become a regular feature of the Committee's future assessment of the implementation of Part IV. On the other hand, his country was disappointed with the consultations on tropical products, which had continued in vain since the 1982 Ministerial meeting. He agreed with the proposal by Indonesia, made at the most recent meeting of the Committee, that as a confidence-building measure the developed countries should align their duties on tropical products to the lowest level of duty prevailing in those countries.

He expressed his delegation's doubts over the implementation of the MTN Agreements and Arrangements and of the 1979 Decision of the CONTRACTING PARTIES to ensure the unity and consistency of the GATT system, and to safeguard the rights and benefits of contracting parties not parties to those Agreements (BISD 26S/201). As an example, he said that Sri Lanka -- not being a signatory to the Code on Subsidies and Countervailing Measures -- had been subjected to countervailing duty actions in the field of textiles. It appeared that some contracting parties were more equal than others, and that a dual GATT system was evolving.

Mr. HUSLID (Norway), Chairman of the Sub-Committee on Trade of the Least-Developed Countries, underlined that the group of 36 least-developed countries was not only at the lowest end of the economic ladder, but had also continually lost ground, both in relation to developed countries and to more advanced developing countries, to the extent that the group's tiny share of world exports had dropped from 0.4 per cent in 1970 to the negligible quantity of 0.2 per cent in 1980. Many of these countries seemed to have entered a vicious circle of constraints, poverty and population explosion with resulting stagnation and even deterioration of their situations. He asked whether it would not be appropriate for the CONTRACTING PARTIES to grant further special concessions and treatment to this group of countries, whose trade volume was too little to constitute a threat to any contracting party.

He noted that paragraph 63 of the report of the Committee on Trade and Development (L/5735) had listed seven measures which could be taken by contracting parties, individually and/or collectively, to facilitate and promote the trade of least-developed countries. Some of these proposals went further than the letter of the General Agreement, according to present interpretation; for example, the sixth proposal advocated examination of exempting the least-developed countries from quantitative restrictions and other non-tariff measures falling outside the scope of MTN agreements. He would agree that this proposal might go beyond the preferences foreseen for least-developed countries in the "enabling clause" (BISD 26S/203), and it certainly went beyond the m.f.n. principle in its strictest sense. However, an automatic and non-qualified application of the m.f.n. principle could in reality mean that those contracting parties which were most-favoured in the past would remain so in the future.

He noted that some further concessions had already been granted to the group of least-developed countries, particularly through the "enabling clause". However, he maintained that the dismal and even desperate situation of this group called for further special treatment as part of accepted GATT rules in favour of the least-developed countries. Consequently, he suggested that it would not be introducing a new principle to accept an interpretation of the "enabling clause" with regard to the least-developed countries which would make it applicable also to quantitative restrictions and other non-tariff measures outside the MTN agreements. Such an acceptance would conform with the 1982 Ministerial Declaration which called for special treatment for the least-developed countries.

Mr. LEORO (Ecuador), speaking as an observer, considered that liberalization of international trade was one of the most effective instruments to promote the economies of both developed and developing countries. He compared present economic conditions with those prevailing at the time of the 1982 Ministerial meeting, and said that the Work Program would have to serve the needs of all contracting parties. Developing countries were expecting work to be carried out in GATT which would enable them to improve their trading situation and thereby their economies as a whole.

Referring to the statement by India in L/5744, he said that the developing countries considered there had been a serious deterioration in international trade and departures from, if not clear-cut violations of decisions within GATT. While acknowledging that the world situation was difficult and that serious doubts existed as to its possible improvement, he said those difficulties had to be overcome. Action to strengthen international co-operation within GATT would recreate confidence among developing countries that they would be able to export their products, attract investment and participate fruitfully in international trade.

Ecuador hoped that the present session would lead to elimination of all types of protectionism and to reducing current trade barriers. It also hoped that commodity prices would improve to increase the remuneration that developing countries received for their exports. It was necessary to develop new possibilities for developing countries through more equitable and freer trade, and to avoid letting them fall behind in an ever-deteriorating situation.

Mr. SORTHEIX (Customs Cooperation Council), speaking as an observer, said that in May 1984 the Customs Cooperation Council (CCC) had adopted the "Seoul Declaration"; this Declaration had emphasized the promotion of existing CCC conventions and of other international instruments designed to harmonize and standardize customs laws and regulations, as well as technical cooperation and strengthening cooperation with other international organizations. The CCC had urged administrations to make every effort to expedite negotiations in order to bring the Harmonized Commodity Description and Coding System into force; it had also set up two technical committees to deal with any classification problems arising from negotiations in connection with introduction of the Harmonized System. In addition, a complete set of the new explanatory notes would be submitted for the CCC's approval in June 1985, and tables indicating the correlation between the present CCCN and the Harmonized System would be published in the near future. Finally, the CCC had also embarked on programs of regional seminars, training courses and technical assistance in the transposition of national tariffs into the Harmonized System format.

He noted that the CCC was responsible for the administration of the two existing international customs valuation systems, the Brussels Definition of Value and the GATT Code on Customs Valuation (BISD 26S/116). The "Seoul Declaration" had urged countries to intensify their efforts to accede to and implement the GATT Customs Valuation Code if they had not already done so. He noted that the GATT Code had established two committees for its administration, the Committee on Customs Valuation in GATT, and the Technical Committee on Customs Valuation in Brussels. He expressed the satisfaction of the CCC at the co-operation which was taking place between these two Committees. The Technical Committee had produced 36 instruments relating to the Code. He said that much remained to be done in the field of technical assistance, and that the CCC was prepared to intensify its efforts in this area, particularly in cooperation with GATT.

The meeting adjourned at 6.45 p.m.