

# GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES  
Fortieth Session

SUMMARY RECORD OF THE SIXTH MEETING  
Held at the International Labour Office,  
on Thursday, 29 November, at 10.30 a.m.

Chairman: Mr. H.V. Ewerlöf (Sweden)  
(for the first eleven statements)  
Mr. M.A. Hamza (Egypt)  
(for the remaining statements)

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

The CHAIRMAN said he regretted that despite intensive consultations it was still not possible for the Chairman of the Council to report to the CONTRACTING PARTIES on those consultations. However, considerable progress had been made, and the Council Chairman would make his report later in the day (see SR.40/7, page 11).

Activities of GATT, continued

Mr. NOTTAGE (New Zealand) agreed with the statement by India in L/5744 that a trading system based on multilaterally agreed rules would ensure the developing and smaller developed contracting parties against arbitrary and unilateral action. New Zealand, as a small trading nation, had a continuing commitment to, and a high stake in preserving and strengthening the multilateral trading system; the major portion of New Zealand's overseas earnings derived from a limited range of commodity exports, and meat, wool and dairy products accounted for half the total value of its exports. However, exports of agricultural products were being thwarted either by subsidized surplus goods in third markets or by increasing restrictions in the form of discriminatory access barriers, quotas and so-called voluntary restraint arrangements. The world's agricultural industry continued to be treated as a sensitive exception to all known and accepted principles of economics and trade; this status quo could not be maintained.

He added that New Zealand was implementing a structural adjustment program designed mainly to liberalize its system of import licensing which had been part of its trade policy since 1938; the aim was to dismantle the licensing system over a period of several years. This would be achieved through allocating, by tender, additional import licences for all goods other than those covered by existing industry development plans which had their own liberalization programs. The Government intended to increase the general level of licence each year. Allocations for the 1985 calendar year had been announced and represented \$NZ 430 million of available licences for a comprehensive range of goods. The method of setting licence allocations would also ensure immediate and substantial export competition for industries which had been protected by import licensing for many years. Provisions for automatic increase in the allocations each year would maintain a steady pace of liberalization and ensure that within a few years licensing was no longer a significant constraint on imports of any goods. These measures reflected his Government's determination to dismantle the import licensing system to the maximum degree possible and at a pace consistent with enabling domestic producers to make the necessary adjustments.

He recalled that in its 1984 budget, his Government had announced a broad policy on tariffs. As the removal of import licensing proceeded, it had been recognized that tariffs would become increasingly relevant. The Government had decided that the level of assistance afforded to import substitution industries by tariffs should generally be in line with the level of assistance to other industries. As New Zealand moved towards lower and more uniform levels of tariff assistance, and to reducing cost penalties on other industries and consumers, consideration would also be given to reducing higher tariff levels. Such structural adjustment would be less painful if, at the same time, all contracting parties were to implement concrete measures designed to liberalize trade in all sectors.

Mr. PARK (Korea) said that developments in world trade since the 1982 Ministerial Declaration were not encouraging. There had been no improvement in the trade environment largely because of an absence of efforts by the major contracting parties to translate their commitments into concrete actions; developing countries continued to face critical difficulties. His country had recently undergone considerable hardship in making economic and industry adjustments under the pressure of proliferating import restrictions by its major industrialized trading partners, not to mention the burden of trade deficits and external debt; approximately 44 per cent of Korea's exports had been subject to restrictive measures by 19 developed countries.

He said that his Government had continued to pursue its policy of import liberalization and tariff reform; by 1988 Korea's import liberalization ratio would be up to 95 per cent, thus making virtually all manufactured goods free from import restrictions. He added that in July 1984, his Government had further liberalized foreign investment in Korea by adopting a negative listing system.

Referring to the implementation of the 1982 Work Program, he expressed concern over the lack of efforts to translate into concrete actions the commitments in paragraph 7(i) of the Ministerial Declaration. His Government was particularly disturbed at the growing abuse of the safeguards provisions, expanding "grey-area" measures and other non-tariff measures, and increasing resort to bilateralism. The Work Program should be providing a basis for the contracting parties' common endeavours to strengthen the GATT system, which had been severely undermined in recent years by the increasing number of trade measures taken outside GATT. Unresolved issues in the Work Program, such as quantitative restrictions and other non-tariff measures, safeguards and dispute settlement, should receive priority attention. He concluded by saying that Korea reaffirmed its confidence in the multilateral trading system and its readiness to fully support and actively participate in joint efforts to reinvigorate the GATT system, for which there was at present no alternative.

Mr. TEESE (Australia), referring to implementation of the Work Program, suggested that he could not detect more than a hint of genuine progress, outside of merely procedural progress, and said that the wait for progress had already been too long. He recalled that in a statement presented by a group of less developed contracting parties, the frustrations generated by the lack of progress came through with stark reality. He stressed that in the more important areas, such as safeguards, quantitative restrictions and other non-tariff measures, agriculture, tropical products and textiles, all of the problems remained, and that a heavy burden of responsibility for it must rest with the major trading countries.

He considered that the Chairman of the CONTRACTING PARTIES had rightly committed himself to support a comprehensive understanding on safeguards, but he acknowledged the deep gulf separating those contracting parties favouring partial, and those favouring comprehensive, settlements. Nowhere was this more obvious than in the application of selectivity to what were euphemistically known as "grey-area" measures. He expressed doubt as to whether it would be possible to subject all safeguard actions to effective disciplines under these circumstances.

He said that there was some cause for modest optimism on agriculture. Yet even in this area, which some depicted as the most successful element of the Work Program, one could only talk about cautiously worded recommendations for a framework for further analysis and elaboration with the ultimate aim of liberalizing trade.

Referring to quantitative restrictions and non-tariff measures, he continued to hope for progress, but noted that contracting parties had failed to reach a common understanding on the two propositions contained in the 1982 Ministerial decision that (i) illegal quantitative restrictions should be phased out or brought into conformity with the GATT and that (ii) existing restrictions should be liberalized. He also noted that there remained wide differences on substance in the area of dispute settlement.

Referring to the Work Program and to a new round of multilateral trade negotiations, he said that the question was not so much whether the Program was advanced or elaborated in or outside a new round but whether, in whatever negotiating context, all contracting parties were prepared to negotiate real solutions to the issues included in this Program. He recalled that his country favoured a new round, providing priority was given to the solution of long-standing unresolved issues, including those of interest to Australia. He said that the most urgent problems currently debilitating world trade were tariff escalation, non-tariff barriers, the vexing issue of safeguards, policies adversely affecting trade in agriculture, tropical products, and textiles and clothing; these should have priority in any approach to trade liberalization. He underlined, however, that this approach should not exclude consideration of other issues such as services and trade in counterfeit goods. He said that his Government was prepared to allocate more time to consolidating work under the Program, but that this could be a positive step only if it was seen as a six-month preparatory phase preceding a negotiating process with a genuine commitment to tackle the substance of the issues.

Mr. KOEHLIN (Peru) said that the contracting parties must show the necessary flexibility and political will to observe the fundamental principles of the General Agreement and the undertakings set forth in the Ministerial Declaration. He noted that the disquieting trend towards bilateralism and growing fragmentation and regionalization of world trade, together with so-called grey-area measures, were evidence of the individualistic spirit prevailing in trade circles; this resulted in partial application of GATT and growing uncertainty regarding its effective operation. He stressed that protectionism and external debt were placing many developing countries in an untenable and precarious situation. He wondered whether this situation did not amount to colonialism in the field of international economic relations, one similar to the political colonialism of the past, from which many countries had emerged only after great efforts and suffering.

He said that the Ministerial Work Program had not succeeded in improving the international trade climate, and that a new round of multilateral trade negotiations would not yield better results. He underlined the points put forward by the representative of India on behalf of developing countries, to the effect that in order to restore

normality in the international trading system, it was essential that the developed countries fulfil all agreed and outstanding commitments. Only after such a return to legality, he said, would the developing countries be able to consider the proposal for specific negotiations on trade. He also noted that viewing the Work Program as a "package" could have the effect of blocking any progress on its implementation.

He said that the Ministerial Declaration contained a balanced set of priorities in areas of interest to the various contracting parties and that it fixed specific mandates for each of those areas, establishing differences in regard to timing, type, intensity and depth of the various tasks to be undertaken. The Work Program should be carried out in a constructive, loyal and reasonable spirit starting from frank consultations, taking account of the fact that some issues had matured more than others, and avoiding obstructionist attitudes that would ultimately do more harm than good. He urged the CONTRACTING PARTIES to act at this session in a co-operative and constructive spirit, showing flexibility and conciliation with a view to strengthening the GATT system and enhancing its credibility.

Mr. JUNG (Czechoslovakia) said that notwithstanding some encouraging signs, the stable conditions necessary for a major rise in economic activity and investment were not present. In a number of countries, market access had been further tightened in important sectors, and protectionist pressures had increased. Given these circumstances, the prospects for trade remained unpredictable. The stringency and scope of restrictive trade measures applied for non-economic reasons had increased and intensified, distorting regular channels and patterns of trade and nullifying GATT's principle of non-discrimination. In Czechoslovakia's view, these measures should be eliminated without delay in accordance with the relevant commitments. The Economic Conference of the CMEA countries in June 1984 had reaffirmed their determination to normalize international trade relations, improve existing commercial and economic ties, and establish confidence in trade relations on the basis of internationally recognized principles and rules of trade.

He noted that the main task before the CONTRACTING PARTIES during the past two years had been the implementation of the Work Program, but that progress had been disappointing and slow, particularly in certain key areas. The problems identified in the Ministerial Declaration required substantive answers, and priority attention should be given to quantitative restrictions, safeguards, implementation of the MTN Agreements, and agriculture. The work of the Group on Quantitative Restrictions and other Non-Tariff Measures should be intensified. In Czechoslovakia's view, the informal note put forward by the Director-General on the safeguard issue provided a solid basis for a comprehensive understanding in this area. Regarding the MTN Agreements,

he said that improved and strict discipline in their application was of primary importance; it was hoped that the proposal to examine their adequacy and effectiveness would help to increase the participation of developing countries. As for dispute settlement procedures, he said there was a need for more effective use of the existing mechanism and that the proposals contained in L/5718/Rev.1 were useful. Nevertheless, the basic problem appeared to be not of procedure, but rather of individual contracting parties seeking to pre-determine or even veto panel decisions. He said that the question of services should be approached, even in its procedural aspect, with great care as it was highly complex and had many implications for economic policy. The work done thus far on services could continue with a view to analyzing the positions and interests of individual countries.

He said that improving access to markets and addressing a range of issues of interest to all countries would be fundamental considerations in judging the attractiveness of a new round of multilateral trade negotiations; before entering this stage, however, it was important to complete the Work Program as much as possible so as to lay a basis for new negotiations. In conclusion, he said that the GATT system was under considerable strain and that to maintain its effectiveness, the implementation of measures and commitments contained in the Ministerial Declaration should be given immediate attention. Efforts should be made to preserve an open trading system and also to deal with some of the new issues created by current developments in international trade.

Mr. KARIM (Bangladesh) noted that the recovery, in evidence since 1983, had been confined largely to the United States and a few other industrialized countries, while developing countries had experienced declining per-capita output for the third consecutive year in 1983. The transmission of recovery to developing countries had been hampered by increased protectionism, accompanied by an unprecedented level of indebtedness. Although economic recovery appeared to be enduring in some of the developed market economies, there were no signs of reversal of the protectionist policies in those countries, which continued to endanger seriously the multilateral trading system.

He recalled that at their 38th session, the CONTRACTING PARTIES had adopted a Work Program to support and improve the GATT trading system through further liberalization and expansion of trade, based upon mutual commitment and an appropriate balance of rights and obligations; it was also to take into account the commitment relating to differential and more favourable treatment, reciprocity and fuller participation of the developing countries. He emphasized certain aspects of the problems which were hampering the implementation of the Work Program and which were of particular concern to smaller and poorer developing countries. An important feature of the Work Program had been the commitment to ensure the effective implementation of GATT rules and provisions, specifically those concerning the developing countries; the least-developed countries also were to be given special treatment, in

the context of differential and more favourable treatment for developing countries. Consultations held under the aegis of the Committee on Trade and Development concerning the requirements of Part IV of the GATT revealed that meager progress had been made in implementing the Ministerial decision. It was therefore necessary to take a fresh look at policies adopted by contracting parties and by developed countries in particular, in order to re-orient their policies towards a renewed consensus in support of the GATT system. Regarding the stage of implementation of certain other items in the Work Program, he expressed regret that after two years of deliberations, a comprehensive understanding had not been reached on an improved and more efficient safeguards system. His delegation hoped that it would be possible to reach an understanding in the shortest possible time, keeping in mind particularly the problems faced by the weaker trading partners; it was felt this would go a long way in removing certain basic shortcomings of the GATT system. Concerning dispute settlement procedures, his delegation underlined the importance of early implementation of decisions relating to the conciliatory process, the establishment of panels, the expeditious settlement of disputes and prompt action by the contracting parties concerned, in order to improve the existing framework for dispute settlement within GATT.

He emphasized the importance his delegation attached to implementation of the Ministerial decision concerning trade in agricultural products. It was encouraging that after protracted negotiations, contracting parties had reached a consensus concerning further work on eliminating or reducing export subsidies, import restrictions and other technical barriers to trade in the field of agricultural products, although important differences still persisted. His delegation strongly urged that agreement be reached on a broad set of measures to further liberalize trade in agriculture, taking into account, in particular, the special needs of developing countries and the GATT provisions for differential and more favourable treatment.

He commended the work done by the Textiles Committee and the Working Party on Textiles and Clothing in their examination of the modalities of further trade liberalization in this sector, including possibilities of full application of GATT provisions to this sector of trade. However, the report of the Working Party indicated that it had not yet been able to complete its work; his delegation felt strongly that it should be allowed to fulfil its mandate. Bangladesh was distressed at the recent developments in important textiles importing countries, which were taking measures in violation of existing agreements and to the detriment of the exporting countries' interests, and was particularly concerned at the disregard of the provisions of paragraphs 2 and 3 of Article VI of the Multi-Fibre Arrangement concerning smaller exporters and new entrants in the field of textiles and clothing.

Regarding the obligations of contracting parties, particularly of developed countries to the least-developed countries, he said that paragraph 7(iv)(b) of the Ministerial Declaration had been unambiguous in this respect. The Ministers had asked the contracting parties to take certain special measures to further improve preference schemes for products of particular export interest to least-developed countries; they had also asked that contracting parties apply special measures in respect of non-tariff barriers, rules of origin and other areas relating to least-developed countries' exports. His delegation was grateful that serious consideration had been given to implementing these decisions during the past two years. He referred to a consultation between Bangladesh and a number of developed contracting parties, held with a view to liberalizing further the trade measures affecting exports of Bangladesh within the context of the decisions relating to least-developed countries. These consultations had been followed-up bilaterally and also during a meeting of the Sub-Committee on Trade of Least-Developed Countries in October 1984. With the support of the Secretariat, Bangladesh had been able to identify the tariff and non-tariff barriers it faced in its trade with a number of contracting parties. However, the painfully slow pace of implementation of the clear provisions of this Ministerial decision had been disappointing. While his delegation appreciated statements indicating good intentions and also the modest steps taken by some developed trading partners, he urged that immediate steps be taken to remove the remaining obstacles to Bangladesh's export trade in those countries. In this context, he recalled the statement by the representative of Norway, who had underlined the deteriorating economic condition of the least-developed countries and had reiterated the need for adoption of the seven measures contained in paragraph 63 of document L/5735. His delegation wholeheartedly supported these proposals and requested that contracting parties approve them as part of accepted GATT rules. It was in this manner that the Ministerial decision to ensure special treatment for least-developed countries could be effectively implemented.

Mr. THEURI (Kenya) said that although there had been signs of recovery in the world economy, the export earnings of most developing countries continued to be adversely affected by several factors. Among these were the continued deterioration in the terms of trade of developing countries, commodity price fluctuations, high debt-servicing burdens, continuing protectionism in major developed country markets, and a reduction in capital inflows to developing countries. Attempts had been made to address these issues in various international fora, including the GATT.

He said that continued efforts in GATT, particularly in relation to the 1982 Work Program, provided a basis on which GATT could make a contribution to solving some of the problems facing developing countries; it was for this reason that his authorities attached great importance to the Work Program. While work had been initiated in a



number of areas, the process of implementation had been rather slow; he urged that the process be accelerated, especially in regard to the interests of developing countries, and emphasized Kenya's interest in progress in such areas as tropical products. Regarding the suggestion for a new round of trade negotiations, he said that this would be meaningful only if it had the support of a wide cross-section of the trading community. Such negotiations should also give priority to the implementation of the current GATT Work Program.

He expressed the gratitude of his authorities for the GATT's commercial policy training courses, which had proved to be very useful. These training activities should be continued and strengthened, as provided for in the relevant Ministerial decision. He also expressed his country's appreciation for the export promotion efforts of the International Trade Centre, which had contributed significantly to improved export performance in the recipient developing countries.

Mr. CHAWANID (Thailand) said that his country's decision to join the GATT two years earlier had not been an easy one, and had been taken in the firm belief that as a small trading nation, Thailand would benefit from membership in a multilateral trading system based on fairness and non-discrimination. This decision was a firm manifestation of his country's commitment to an open and fair trading system. His country admired the resilient and pragmatic manner in which the Ministerial Declaration and the Work Program had been adopted by the CONTRACTING PARTIES, notwithstanding the economic gloom surrounding the negotiations in 1982. The Work Program was in no way a breakthrough in the fight against protectionism, but it did offer the opportunity to renew commitments to freer trade and to pledge fresh support to further work in certain important areas. This achievement provided a basis for the hope that the multilateral trading system would be strengthened and made more equitable as soon as the world economic situation improved.

He noted, however, that in spite of the recovery in the last two years in both production and trade levels, international trade had remained restricted. The developing countries were faced with a barrage of new protectionist measures, and the "invisible hand" of Adam Smith operated with full force each time developing countries increased their exports to major trading countries; it ensured that restrictions were clamped on the entire range of products - textiles and clothing, footwear and consumer electronics - in which the developing countries had comparative advantage. Certain "grey-area" measures outside the framework of the GATT - bilateralism, sectoralism, voluntary export restraints and orderly marketing arrangements - had also been taken to restrict imports on a discriminatory basis. This was why economic recovery in some developed countries had not stimulated the world economy and had not restored the business confidence which would lead to an increase in trade-related investment. The Secretariat's report on International Trade in 1983/84 had also confirmed that protectionist pressures had pushed governments to adopt even more restrictive measures

on imports from developing countries. Trade-related investment had not picked up, and the increase in exports was merely the result of more intensive use of existing capacity; this was incompatible with a long-term global recovery. It seemed that the major trading countries were still in a recessionary frame of mind and that trade could not be liberalized until some major initiatives were taken. He recognized that some positive measures had been taken, such as the advanced implementation of the Tokdo Round tariff cuts, but these were hardly sufficient to revitalize world trade. He did not agree with the suggestion that the developing countries should undertake more responsibility in opening up their own markets. In his view, the first necessary steps must be taken by the major trading countries, whose action could be expected to have relatively more impact on the world economy.

Turning to implementation of the Work Program, he agreed that it was a long and continuous process and that no miracles could be expected. Although all contracting parties had undertaken to expedite implementation, progress up to now had been slow and insignificant, especially in areas of interest to the developing countries. He regretted that there was still no comprehensive understanding on safeguards, which should be based on the principle of most-favoured-nation treatment. The Committee on Trade in Agriculture, which in its early stages of work had raised hopes for a real breakthrough, had come out only with a modest recommendation on approaches to consideration of the subsidies question. Similarly, the Group on Quantitative Restrictions and Other Non-Tariff Measures had failed to achieve more than an agreement to extend its mandate. In the area of textiles and clothing, major movement had occurred, but only in the wrong direction. Consultations on tropical products had turned out to be a game of hide-and-seek, with no concrete results. It was in this context that, at the last session of the Committee on Trade and Development, the ASEAN delegations had jointly called on their developed trading partners to harmonize their tariffs on tropical products to the lowest duty rates existing in their countries. He wished to reiterate that request.

He agreed fully with the suggestion by the representative of Japan at the November 1984 Council meeting that implementation of the Work Program should not be taken as a zero-sum game where one country's gain was necessarily another's loss; it should instead be a positive-sum game in which each country shared in the overall gain. Consequently, the relative lack of progress in certain areas should not be used as a justification for blocking the progress of the entire Program. He stressed that the Program could not be seen in isolation from the global trading atmosphere and that some major initiatives by major trading countries were required to get out of the present impasse. The first initiative could be to implement fully the obligations undertaken in paragraph 7(i) of the Ministerial Declaration without making any new

commitments. Determined efforts had to be made regarding standstill and roll-back commitments, and discriminatory restrictions and "grey-area" measures should be avoided. A second initiative could be the agreement by the major trading countries to implement those aspects of the Work Program which were of particular interest to developing countries. If these two initiatives were considered seriously, the world trading atmosphere would improve and mutual suspicions would disappear. In conclusion, he expressed full support for the statement by India in L/5744.

Mr. LOPEZ-NOGUEROL (Argentina) supported the statement by India in L/5744, and said his country was concerned by the persistently slow growth of most developing country economies, particularly those in Latin America. Contrary to economic forecasts, the effects of recovery in developed countries had not extended automatically to the developing countries; this was due in part to the persistence of protectionism. The increasing number of protectionist measures taken outside the General Agreement had worsened the crisis for developing countries, particularly those carrying heavy debt burdens. He said it was a tragic fact that the developing countries had become net exporters of the capital required to finance their own development.

Regarding trade in agricultural products, he said that GATT estimates showed growth at a virtual standstill. There had been no real trade liberalization in this sector; rather, competition from the developed countries increased daily through subsidized exports to third markets. Argentina considered that there had been little effective implementation of the commitments assumed by contracting parties under paragraphs 7(i), (ii) and (iii) of the Ministerial Declaration, and progress in implementing various elements of the Work Program had been modest. He emphasized that priority should be given to areas such as safeguards, quantitative restrictions, agriculture and questions of particular interest to developing countries. He expressed alarm at the linkage that was being made between specific parts of the Work Program, and said that this weakened the spirit of co-operation which should prevail in GATT. Solution of these matters would not only improve the present economic situation but would further strengthen the General Agreement and could build the confidence and political will so lacking in these difficult times.

Mr. HAMID (Malaysia) supported the statement made by India in L/5744. He said that protectionism had seriously undermined international trade, and if left unchecked, would continue to erode and finally cause a collapse of the international trading system. Trade measures adopted by certain contracting parties in recent years and months had tended to accelerate this process of decay; the contracting parties should all strive collectively to prevent this from happening.

He underlined the fact that developing countries wanted their developed partners' commitments to be translated into action; in addition, the Work Program needed to be completed. The process of confidence building had to be undertaken with greater vigour and political will, and calls for a new round would only be credible through a demonstration of deeds and goodwill. There was still much to be done in trade in manufactured goods, and there had to be sufficient achievements in the overall Work Program before taking the next step into fresh negotiations. The developing countries would not want to be drawn into negotiations on new areas of trade at the expense of already agreed areas of work. Developing countries were beginning to feel that the progress achieved in trade in manufactured goods was being slowly eroded, as their competitive products had been subject to numerous restrictions. These countries felt they were being made to chase rainbows; just when one objective was within their reach, they were made to run for yet another. He expressed the hope that during the present session reason would prevail. Whatever modest progress had been attempted in the preceding two years could contribute to the gradual process of confidence building. He said that the developing countries did not believe in handouts, and reiterated their call that they be given the chance to trade on a fair and equitable basis.

Mr. BERGUNO (Chile) said that while there was recovery in some economies, in others there was persistent unemployment and low or negative growth. Export expansion in some countries had not been matched by increases in output. Falling export prices for some commodities had also offset gains in export volumes. It was necessary for longer-term progress to become apparent before there would be a significant investment response to new growth opportunities, and the possibility of consolidating and spreading the recent economic recovery. He emphasized in particular the difficulties created by the current debt situation, and said that the consequences of excessive debt burdens were affecting the entire economic, financial and trading system. In the case of Latin America, which was particularly affected, transfers in the form of debt payments would be equivalent to almost 50 per cent of the value of exports from the region in 1985. A dramatic contraction of imports not only affected income levels and threatened social peace, but also called into question the growth process itself. He said that despite the considerable efforts of indebted countries to generate growth and increase export earnings, the effects of the recession, and of protectionism, and the uncertainty that these generated, had made the situation extremely difficult for developing countries. A realistic appreciation of the situation required recognition of the interdependence of all trading nations, the joint responsibility for addressing the debt problem and the need for concerted joint action within the framework of the General Agreement.

He added that the Work Program provided an important tool for improving the international trading environment. In regard to the question of multilateral negotiations, he noted that the Informal Group of Developing Countries had indicated the parameters within which progress in implementing the Program could lead to new negotiations. Not all the elements in the Program had the same priority or had reached the stage where negotiations would be appropriate. Moreover, certain questions of principle, such as the removal of restrictive measures affecting the exports of developing countries which were not based on GATT disciplines, and the standstill and roll-back commitments of the Ministerial Declaration, did not require negotiation. On the other hand, advancement in these areas would contribute substantially to the possibility of adopting policies which would create a consensus among contracting parties in favour of a negotiating process. For his authorities, important considerations in the context of new negotiations would include priority for multilateral action aimed at providing rapid improvement in market access for products of interest to developing countries, a substantial reduction in protection levels in relation to tariffs and other measures such as variable levies and subsidies, the need to bring protectionist measures within the ambit of GATT disciplines, and the problems of tariff escalation.

He said that any new negotiations should be directed towards work in the areas where problems and obstacles to trade had already been identified, including agriculture, quantitative restrictions, the safeguards system, textiles and clothing, non-ferrous metals, fishery products and forest products. In regard to agriculture, he said that the progress achieved so far constituted a basis on which to continue work in this area. For this work to be fruitful, not only disciplines affecting access, but also conditions of access, should be improved. In the absence of progress in the latter sense, the present imbalance of rights and obligations would be perpetuated. In the field of quantitative restrictions, despite the commitment of contracting parties to eliminate measures which did not conform with the General Agreement, there had been very little positive action over the past two years. Nevertheless, the recommendations of the Group on Quantitative Restrictions and Other Non-Tariff Measures represented positive, although modest, progress. In this context as well, the fulfilment of contractual obligations could not be seen as negotiable. The Part IV consultations held in the Committee on Trade and Development were part of a continuing dynamic process, and the final conclusions emerging from these consultations would have to identify ways and means of reinforcing the application of the provisions of Part IV. He said that even a brief examination of the situation in these important areas of the Work Program was sufficient to show how much remained to be done before a new round of negotiations could contribute to a significant and durable process of trade liberalization. It was essential that the preparation for such negotiations offer advantages and opportunities for all contracting parties, enabling them to address the issues which each regarded as important.

Mr. DUMITRESCU (Romania) said that the international economic situation, despite certain signs of improvement, remained alarming and uncertain. Economic recovery in some developed countries had only had a limited influence on the economies of most developing countries, which continued to be faced with serious difficulties. Their access to international markets was marked by protectionist and discriminatory measures, and this situation aggravated their financial difficulties, thus increasing world economic instability and deepening the gap between developed and developing countries. Improvement in the economic and financial situation of the developing countries would enable them to increase their rôle in international trade and to contribute to the growth of the world economy.

Regarding implementation of the 1982 Ministerial Declaration, he said that Romania supported the statement by India in L/5744; it was regrettable that two years after adoption of the Work Program, significant progress had not been made in putting it into effect. The developed countries' trade policies still had a clear protectionist character, and the world market, instead of becoming more open, was shrinking. The positions taken by some developed countries in various GATT bodies had impeded implementation of the Work Program, and this had contributed to worsening the international climate and to weakening the GATT system. It was, therefore, necessary for all contracting parties to work together and with determination in areas including the following: quantitative restrictions and other non-tariff measures, removal of protectionist measures recently adopted in certain sectors, improvement of the Generalized System of Preferences, safeguards, and liberalization of trade in agricultural products and in textiles and clothing.

In conclusion, he said that the contracting parties were in a position to give specific form to their commitments to preserve and strengthen the multilateral trade system, by implementing all aspects of the Work Program and by applying provisions relating to the trade of developing countries. He appealed to all contracting parties to do their utmost to preserve in GATT an atmosphere of co-operation based on equity and on respect for the interests of all. Romania would continue to support an increased rôle for GATT in the process of liberalizing international trade, and would co-operate fully to this end.

Mr. INOMATA (UNCTAD) recalled the statement of the UNCTAD Secretary-General at the 1982 GATT Ministerial session in which he had expressed serious concern about the international trading system and its future. He had contrasted the mood of the trading countries at that time with the mood at the time of the launching of the Tokyo Round. Whereas ten years earlier, preferential treatment in favour of developing countries had been generally accepted, increased trade barriers were now being erected which penalized trade from the developing countries on a discriminatory basis and in fields where the

dynamics of growth had resulted in the creation of new capacities. The Secretary-General had called upon the GATT Ministerial session to arrest and reverse the drift towards protectionism, discrimination, bilateralism, conditionality and harassment.

He said that the sixth session of the UNCTAD (1983) at Belgrade had also addressed the issues directly relevant to the Ministerial Work Program such as protectionism, structural adjustment and the strengthening and improvement of the international trading system. Specific undertakings had been negotiated on these issues, and the developed countries had reaffirmed their commitment to a standstill and roll-back of protective measures. The developed countries had also made certain undertakings regarding their anti-dumping and countervailing duty legislation. The commitment to provide differential and more favourable treatment to developing countries had been reaffirmed. UNCTAD had been asked for closer involvement in efforts to strengthen and improve the multilateral safeguard system. Countries had accepted structural adjustment policies including liberal trade régimes so as to allow developing countries to increase their share of world trade in processed products and manufactures. The UNCTAD Trade and Development Board had been given a mandate to conduct studies and to monitor the implementation of all these measures. UNCTAD had also been requested to conduct studies in the area of services, including the rôle of services in the development process. Pursuant to that mandate, the UNCTAD Secretariat had submitted a study, "Services and the Development Process", to the Board in September 1984.

He said that studies showed there had been an increase in protective measures in both developed and developing countries. Developed countries had continued to rely on bilaterally negotiated measures to control trade volumes and prices, in particular through voluntary export restraints, and had also adopted other discriminatory measures in the form of anti-dumping and countervailing duty actions. Although there was a growing recognition of the link between protective action and structural adjustment, adjustment efforts had been frustrated due to the lack of any real commitment to liberalized trade, especially in the case of developing countries' exports. Managed trade and voluntary export restraints had tended to increase, thus affecting long-term structural adjustment policies.

Referring to the tendency on the part of some participants to attribute growing protectionism to recessionary conditions, he said that recovery in certain countries had not led to a roll-back of protective measures and to attendant structural adjustment policies, nor had the recovery been transmitted to the world economy in general. In fact, many developing countries still appeared to be trapped in a situation of declining incomes, economic stagnation and mounting social pressures. Many had been obliged to reduce imports drastically and were no longer acting as the most dynamic element in world trade as they had done

throughout the 1970s. In order to restore dynamism to the exports of developing countries, there was a need to strengthen the international trading system and to make firm multilateral commitments, to provide increased market access and to implement structural adjustment measures. The system should be non-discriminatory, should be based on unconditional most-favoured-nation treatment, and should respond to the development needs of the developing countries. This would require a new consensus in the international community, based on the recognition that a serious and concerted effort was needed to overcome the essential contradiction in the world economy: that people and resources were under-utilized and unemployed in the developed countries, while the developing countries, which were the potential customers for the products of developed countries, lacked the capacity to purchase the goods required for their own development. He reiterated that efforts to strengthen the international trading system would fail if the dynamism in the exports of developing countries was not re-established. A far-sighted approach was needed, based on communality of interest, free from narrow conceptions of reciprocity and aimed at establishing an environment for the self-sustaining process of economic growth in the developing countries.

In conclusion, he said that even though many of the solutions to the problems were outside the sphere of trade policy, the effective implementation of the undertakings accepted in Belgrade would go a long way towards responding to the challenges which the CONTRACTING PARTIES were facing at the present session.

The meeting adjourned at 1 p.m.