

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.39/3

21 December 1983

Limited Distribution

CONTRACTING PARTIES
Thirty-Ninth Session

SUMMARY RECORD OF THE THIRD MEETING

Held at the International Labour Office,
on Tuesday, 22 November 1983, at 3 p.m.

Chairman: Mr. B.L. DAS (India)

Subject discussed: Activities of GATT

Activities of GATT

The CHAIRMAN said that under this item, contracting parties would have the opportunity to consider any 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/5580) and the reports of the MTN Committee and Councils.¹ Furthermore, contracting parties might wish to discuss some aspects of the Action Program resulting from the 1982 Ministerial Meeting.

Mr. DARSA (Indonesia) said that since the 1982 Ministerial meeting, there had been general recognition of the effort made by all contracting parties to implement decisions in the Ministerial Declaration, particularly the decision to examine the prospects for increasing trade between developed and developing countries. Pursuant to the Declaration, consultations had been held on safeguards, implementation of Part IV, dispute settlement issues and matters of particular interest to developing countries such as textiles, agriculture and tropical products; but no headway had been made in those consultations. Nor had progress been achieved on standstill and rollback of protectionist measures. Barriers against exports of developing countries had been intensified, often in a discriminatory manner through unilateral or bilateral measures which had become general practice in the conduct of international trade. These measures especially affected the textiles and clothing sector in developing countries. He said it was obvious that the remedies required should be comprehensive and that they would have to address all these problems.

¹ Committee on Technical Barriers to Trade (L/5548), Committee on Government Procurement (L/5503 and L/5578), Committee on Subsidies and Countervailing Measures (L/5496 and Add.1), International Meat Council (L/5545), International Dairy Products Council (L/5546), Committee on Customs Valuation (L/5491 and L/5583), Committee on Import Licencing (L/5553), Committee on Trade in Civil Aircraft (L/5554), and Committee on Anti-Dumping Practices (L/5486).

Consultations had been held in the Committee on Trade and Development to examine the possibilities for liberalizing trade in tropical products; most developing countries had tabled their positions on the products of interest to them; but since representatives of the importing countries had no negotiating authority in these consultations, no action could be taken. He appealed to the importing countries concerned to consider seriously the interests of developing countries in this regard. He expressed his delegation's appreciation to the consulting countries (Finland, Norway, Sweden, Austria and Hungary) for their co-operation in consultations on the review of the implementation of Part IV and the operation of the Enabling Clause.

Indonesia had noted that developed contracting parties had made efforts through their GSP to reduce or eliminate tariffs on products of interest to developing countries. He welcomed the continued existence of the GSP as well as improvements made to increase its effectiveness. To a certain extent, the GSP had contributed to increasing exports from developing countries. He deplored, however, that despite the low level of GSP utilization, some preference-giving countries had paid greater attention to restricting the export opportunities of developing countries through applying the graduation concept and selectivity, which retarded the process of export-led growth and industrialization. He also referred to problems of inequitable treatment resulting from negative preferences. Preference-giving countries should refrain from implementing measures which inhibited access of imports from developing countries. Another problem encountered by developing countries was the high escalatory import duties imposed by developed countries on semi-processed or processed goods.

In conclusion, his delegation hoped that the CONTRACTING PARTIES would display the necessary political vision to take advantage of their growing perception of mutual interests and interdependence. Indonesia considered that GATT should fulfil its basic objectives of securing an open multilateral trading system, and of promoting the expansion of trade and economic development of developing countries by bringing about a more equitable and viable international trading system for the benefit of all countries.

Mr. BADOSA (Spain) said that the economic recession had affected all nations but with different intensity. Certain countries had made notable progress in correcting imbalances, but unfortunately the result had often been a significant reduction of imports and the abandonment of economic growth. It had therefore become more necessary than ever to make the best possible use of the instruments agreed upon in order to reverse protectionist trends. Spain continued to give priority to the reduction of inflation and to the correction of its external imbalance by means of monetary and fiscal policies without resort to trade restrictions. In this context, the analyses contained in the GATT report on International Trade 1982/83 had been particularly valuable.

He said that his Government had noted with satisfaction the progress made in the first stages of implementation of the 1982 Ministerial work program by the various committees and groups in GATT. He pledged that Spain would continue to co-operate fully in this work with a view to reaching practical results by the end of 1984. He welcomed the establishment of the new Trade Policies Division within the GATT secretariat, the decision to hold the first commercial policy course in Spanish in 1984, and the announcement by the Director-General concerning the translation of all future GATT documents into Spanish. He suggested that, in due course, an authentic version in Spanish be prepared of the text of the General Agreement.

He said that Spain hoped it might be possible to reach a comprehensive understanding on safeguards in 1984, and he referred to the need for transparency as stipulated by the GATT mechanism for notification and dispute settlement. He stressed that the insufficient administrative means of some contracting parties had to be taken into account in the administration of notification requirements. Dispute settlement procedures should not be unnecessarily delayed. Over the past 20 years of its participation in GATT, Spain had made great progress in liberalizing its trade. His Government intended to complete its participation in the various MTN Agreements in the near future after having adopted the necessary domestic mechanisms. He added that in the field of non-tariff barriers, the commercially weaker countries should not be required to follow the same rhythm as the more developed countries.

Mr. HILL (Jamaica), referring to recent trade statistics, said that the trade of industrialized and developing countries was continuing to decline, even though output was rising in some countries. Developing countries faced not only contractions in their trade volume, but also adverse terms of trade and debilitating external indebtedness. He described the statistical profile of developing countries' external debt which revealed a built-in, self-generating and spiralling growth. Developing countries were beset by mounting external indebtedness, high real interest rates, severe reductions in new capital flows, and also by shrinking foreign exchange earnings. It seemed unlikely that the inflow of foreign capital in the form of direct investment would be sufficient, and consequently the current account deficits of these countries had to be financed by additional foreign indebtedness. Otherwise, even deeper recession in developing countries, declining output and rising unemployment were bound to occur.

He said it was now recognized that developing countries had little scope for further reducing imports if severe damage to their economies was to be avoided. All contracting parties had a real interest in this issue because of its impact on employment in both developed and developing countries. The immense potential for expanding trade among developing countries remained untapped, and should now find a priority place on GATT's agenda for 1984. He said that the International Trade Centre's rôle should also be strengthened, and he welcomed the recommendation to make the Centre an executing agency of the UNDP.

He recalled that the relationship between trade and finance was being actively considered in several intergovernmental meetings. GATT was playing its part through discussions in the Consultative Group of Eighteen, and co-operation between GATT and the IMF was being increased. The study on the effect of exchange rate fluctuations on trade would enlighten those discussions. He regretted that this study had not been ready for the present session. The Group should not confine itself to merely talking about the theoretical relationship between trade and finance, but should fulfil its function of finding solutions and coming-up with precise proposals.

He said that contracting parties, rather than simply repeating paragraphs 6 and 7 of the Ministerial Declaration, should implement the commitments in those paragraphs. Referring to proposals by the Jamaican Trade Minister at the 1982 Ministerial session, including the proposal to improve the organization and work methods of the GATT Council, he said some progress had been made but there was still room for improvement. Little or no progress had been made in respect of the proposal that protectionist measures currently in force should progressively be brought within the GATT and subjected to its disciplines. There also remained a lot to be done with regard to the proposed comprehensive review of the Multilateral Trade Negotiations to ensure unity and consistency within the GATT system. He then referred to another proposal by his Minister that there be renewed impetus to developing and expanding the trade of developing countries on the basis of differential and more favourable treatment; the proposals made by the United States for duty-free entry of products from countries in the Latin American and Caribbean region offered a constructive approach to the implementation of the Enabling Clause. The duty-free treatment proposed should stimulate production and trade for several small nations with limited access to capital markets, and whose per capita income denied them access to the concessional windows of the multilateral financing institutions. Moreover, these countries had not been among the major beneficiaries of the GSP schemes.

He also recalled the proposal of his Minister that a group of experts be appointed to "study present trends and seek to discern future issues of significance to the international trade system". Within GATT, contracting parties were now pursuing a two-track approach. The Council, the MTN bodies and the various working parties and panels were giving careful attention to a complex range of issues, including but not limited to those affecting the rights and obligations of contracting parties. This negotiating process involved consultations and dispute settlement. Simultaneously, on another track, contracting parties were expected to examine new issues including services, high technology, structural adjustment and trade policy, trade in certain natural resource products, exchange rate fluctuations and their effect on trade, export credits for capital goods, and dual pricing and rules of origin. The examination of all these issues and their relationship to and consistency with the General Agreement was one thing. The strategic overview of the evolution of the GATT system was another.

It seemed clear to his delegation that it was impossible to pursue this concurrent two-track approach efficiently and effectively. To these tasks had to be added the build-up of pressure for an exchange of views which might lead to another round of GATT multilateral trade negotiations. If this problem of overloading was not addressed promptly, the guiding principle of transparency risked being lost, to the detriment of the open multilateral trading system. There was now a risk, due to the lack of transparency, of having not only two GATTs but three, four or five. The contracting parties should also be prepared to work constructively with other members of the international community in other multilateral institutions to take advantage of the capacity of the United Nations system for concerted action in a world of increasing interdependence. His delegation hoped that the independent Study Group announced by the Director-General (SR.39/2, page 22) would have an opportunity to be closely involved with ongoing consultations and negotiations. It would be unfortunate if this Group were to come forward with ideas and were to influence public opinion in a direction in which governments were not prepared to go.

He said that in 1984 his delegation intended to contribute to focussing more sharply on issues related to structural adjustment and trade policy. All contracting parties stood to gain if structural adjustment proceeded consistently with GATT rights and obligations; growth and development-oriented structural adjustment could make the search for a new safeguards agreement less contentious and pressing. Equally, the promising start made in the Committee on Trade in Agriculture, if continued, should benefit the international community. Progress in the field of trade in temperate agricultural products should be matched by progress in the field of trade in tropical products, including stabilization measures. Referring to the report by the Deputy Director-General relating to the recently revised OECD guidelines on export credits (SR.39/2 page 8) he said that the impact of these guidelines on the trade and development prospects of developing countries was significant; developing countries were dependent on capital goods imports whatever their level of development, and the per capita income criterion was an inadequate measure by itself for determining the rate of interest. The Deputy Director-General's report and the consequent consultations on this subject would provide an opportunity to begin an exchange of views on a transparent basis.

In concluding, he suggested that while taking care not to add to the program of work, the GATT economists, consulting appropriately, might assist in accounting for the negative balance of nearly US\$100 billion in 1982 in the world current account balance, which by definition should be zero, taking into account minor discrepancies. They might also consider the implications for the accuracy of the merchandise and invisible trade statistics, and the implications for monetary and trade policies given the probability of grossly inaccurate data bases on which both Government policy stances were formulated and private market behaviour was determined. Jamaica hoped that 1984 would see the first results of a

revitalized open multilateral trading system as contracting parties, individually and jointly, took decisive action. It would be a test of the commitment of contracting parties to ensure that GATT obligations were faithfully discharged, that GATT rights were fully respected, that there was full transparency in the work program, and that there was a strategic overview of the GATT system.

Mr. PARK (Korea) said that since the Ministerial meeting, the proliferation of protectionist measures taken by the major trading nations continued to pose the principal threat to the GATT system; their resort to bilateralism and discrimination exacerbated the already difficult situation in world trade. This trend worked severely against the trading interests of the developing countries in particular. His delegation urged the industrialized nations to take resolute steps to eliminate progressively their trade restrictive measures so that the shared objective of trade liberalization and expansion might be attained. Korea, a small developing country, had suffered a great deal from the prolonged strain in the world economy, registering at one time a minus 6 per cent growth rate. However, with its market economy and its growing reliance on external trade, it would continue to pursue its trade liberalization program.

He said that the recent economic recovery in some developed countries did not yet seem to have benefited most developing nations. His Government shared the concern expressed by a number of developing countries during meetings of the Committee on Trade and Development that the economic recovery and the consequent expansion in demand would not necessarily lead to relaxation of import restrictions by developed countries. Moreover, attempts by some developing countries including Korea to liberalize imports had not been reciprocated by their developed trading partners. Any short-sighted attempts by developed countries to impose excessive obligations on developing nations would undermine the stability of world trade as a whole. In this connection, his delegation attached great importance to the review of the implementation of Part IV and of the operation of the Enabling Clause. During 1983 the Committee had set a good foundation for the follow-up consultations on the action program entrusted to it by Ministers at the thirty-eighth session. His delegation would continue to participate actively in the Committee's work.

Korea regretted the failure to reach a comprehensive understanding on safeguards as called for by Ministers. It was seriously concerned at the persistence of "grey-area" measures which undermined the principles of MFN and non-discrimination and weakened GATT's open-trading system. His delegation hoped that contracting parties would reach by the 1984 session a comprehensive understanding containing all the elements in the Ministerial decision, and Korea would continue to participate in the forthcoming consultations on that crucial issue.

Referring to the work program for the 1980s decided by Ministers, he said that trade in textiles and clothing as well as dispute settlement procedures were also of great interest of his country. Referring to the Ministerial decision to carry out on a priority basis a study of problems concerning textiles and clothing, and an examination of ways to further liberalize trade in this sector, he said that Korea supported establishment of a working group to complete the work called for in that decision. On dispute settlement, his delegation appreciated the contribution by the Director-General as reflected in his report¹ on the state of work of the panels presently in operation.

In concluding, he said that the CONTRACTING PARTIES had not made as much progress as they should have done in the first year after the Ministerial meeting. There remained one more year to carry out and complete the tasks assigned by the Ministers. 1984 would certainly be a decisive year for testing GATT's effective functioning. He reaffirmed Korea's commitment to support and improve the multilateral trading system and to abide by its GATT obligations as a developing country.

Mr. BAJWA (Pakistan) said that the CONTRACTING PARTIES at their annual sessions had traditionally reviewed developments in international trade on the basis of somewhat out-dated data. He recommended a departure from previous practice and a greater reliance on pragmatic experience to take account of present-day rapid developments in world trade.

He said that the members of GATT were faced with two sets of protectionist pressures: those which were a hang-over from the recession, and those generated by the recovery. The significant feature of developments in 1983 was that the two sets of pressures had merged in their operation. In the first set of pressures, i.e., the legacy of recession, the important feature to note was that existing arrangements such as the Arrangement Regarding International Trade in Textiles (MFA) and bilateral agreements concluded thereunder, and some important MTN Codes, had an in-built protectionist bias which was being fully used.

He said that the only redeeming feature of the current situation was that commodity prices were no longer in a downward trend. Beyond that, the picture was still dark, whatever indicator was used. From a GATT standpoint one could use the following indicators: frequency of anti-dumping or countervailing measure investigations and actions; calls for consultations, particularly under the MFA, to restrain new products; and MFA Article 3 actions on textiles. By these indicators, one could only conclude that the international trade situation was deteriorating.

Pakistan believed that forward movement could only come by (i) shedding or phasing out the protectionist bias in the application of existing instruments for the regulation of international trade; and (ii) by suspending or declaring a moratorium on anti-dumping or countervailing actions, on MFA Article 3 actions and on calls for restraining new products, or at least by strongly resisting pressures for such actions. Only then could one believe that the commitments contained in paragraph 7 of the Ministerial Declaration were being fulfilled.

¹C/M/166, item no. 13.

He concluded by saying that the saving feature of the 1982 Ministerial meeting was the consultative processes that it had established. Although these had got off to a good start, at times one could not escape the feeling that political commitment to these processes on the part of some contracting parties was either lukewarm or at best tactical. There was a need to expedite these processes, to display vigorous commitment, and to search honestly for solutions.

Mr. MURPHY (United States) said that the Ministerial meeting had produced, by most interpretations, only modest steps towards a more open trading system; its results, although disappointing, should not have come as a surprise, given that the world had been going through the deepest recession since the 1930s. Consequently, countries had been asking themselves when was the recession going to end and how could they stop the loss of jobs. Unfortunately the easiest answer had been to stop imports. Since then, at least in the United States, the economy had turned around and growth was expected to remain strong at least until the end of 1984. With the recovery, however, the United States had sustained record trade deficits; for 1983, its estimated trade deficit would be around US\$70 billion, and for 1984 it could reach US\$110 billion. Such deficits were not sustainable for long, and they placed a considerable strain on the US commitment to a more open trading system.

He said that a number of other countries were also experiencing improved conditions in their domestic markets and were beginning to look beyond the recession toward the longer term functioning of the GATT system. The United States hoped that 1983 would be seen as a year of transition in which countries recognized that the way to stimulate and ensure vibrant economies was through competition enhanced by the further opening of the trading system. This had to be done on a multilateral basis that provided equity, because no country in the present economic environment was strong enough to move forward in isolation.

He said that although the United States had received record levels of imports from developing countries, and at the same time had experienced declining exports, the problems of the developing countries had become more acute in the past year. Those problems had to be addressed if the trading system was to survive.

His Government believed that the Ministerial work program should be evaluated in the light of current situation in both developed and developing countries. Looking back over GATT's work in 1983, some progress had been made, but not enough. The CONTRACTING PARTIES would have to work harder and find a new sense of urgency if they were to complete by the end of 1984 the tasks set by Ministers. Even if they succeeded, that would not be enough to address current world economic problems, for in many areas the work program was only preparing the necessary ground work for future negotiations. The United States believed that there was no viable multilateral alternative to the GATT, and therefore all the contracting parties had an obligation to ensure that the system evolved and that it was sufficiently flexible to meet current problems. The United States would make every effort to see that this was done.

Mr. REISCH (Austria) said that in looking over GATT's work since the Ministerial meeting, his delegation saw both disappointment as well as progress. Its disappointment concerned the absence of an understanding on safeguards, and it regretted that the Council had not been able to fulfil the task entrusted to it by Ministers. Austria attached particular importance to an improved and more efficient safeguard system. The growing number of safeguard measures was of special concern to smaller countries heavily dependent on foreign trade. Efforts to arrive at a comprehensive understanding based on the elements established by Ministers should be continued expeditiously.

He said that more progress had been made in other areas. The Committee on Trade in Agriculture had examined a number of contracting parties' (including Austria's) domestic policies during 1983. Frank discussions in that Committee had contributed to better mutual understanding, and Austria believed that the Committee would be able to make appropriate recommendations to the CONTRACTING PARTIES at their 1984 session.

As instructed by Ministers, the Committee on Trade and Development had carried out important work of special interest to the developing countries. His Government considered that trade relations with and among developing countries should be strengthened, and that the interdependence of national economies meant that no country could solve its trade problems in isolation. This meant that all contracting parties had to co-operate and contribute accordingly in promoting the basic objectives of the General Agreement. He recalled that the Ministerial Declaration, in its section dealing with GATT Rules and Activities Relating to Developing Countries (BISD 29S/13) had stated that contracting parties were urged to implement more effectively Part IV and the Enabling Clause. Austria expected that all contracting parties would improve their contributions in the spirit of that Declaration, and that they would participate more fully in the framework of rights and obligations under the General Agreement. He said that during the consultations in the Committee, Austria had received a great number of requests based on Part IV. He recalled the measures taken by his country in favour of developing countries and pledged that his Government would carefully examine all outstanding requests. But he also wished to recall what his delegation had said in those consultations concerning the limited size of the Austrian market.

The Working Party on Structural Adjustment and Trade Policy had presented an instructive report, which not only showed the efforts of contracting parties in this field, but also offered the possibility of drawing conclusions for further adjustments.

Turning to the MTN Agreements and Arrangements, Austria believed that these were functioning well. In general, the Committees and Councils had done good work, but they should examine more thoroughly the obstacles preventing countries from accepting the MTN Codes, thereby paving the way for wider participation.

In conclusion, he said that the 1984 session would have to examine whether the CONTRACTING PARTIES had met the present challenges of international trade. Austria was convinced that full and effective implementation of the commitments undertaken in the Ministerial Declaration would contribute to improving the open multilateral trading system and to reinforcing GATT's credibility.

Mr. CHIBA (Japan) recalled that the Ministerial Declaration had stressed the importance of resisting protectionism and strengthening the multilateral free trading system; implementation of those commitments was the urgent task of the CONTRACTING PARTIES. The objectives of "stand-still" and "roll-back" contained in paragraph 7(i) of the Declaration were at the heart of the struggle against protectionism, and they should be ensured by increasing transparency and surveillance; in this context, the special Council meetings to review developments in the trading system would continue to play an important rôle.

He noted that the world economy was recovering from a three-year recession, although high interest rates, unemployment, protectionism and debt accumulation still persisted. In these circumstances, it had become even more important for the CONTRACTING PARTIES to renew their determination to promote trade expansion and economic recovery so as to break the vicious cycle of trade contraction and the further delay of economic recovery. While Japan recognized that many countries still faced difficulties, it urged each contracting party to take positive actions to maintain the open trading system and to resist protectionist legislation. Regarding the serious debt accumulation and trade problems of certain developing countries, the GATT was in a position to make a positive contribution to resolving these problems in the medium and long-term, by securing improved access based on the principle of non-discriminatory free trade, which in turn would improve the repayment capacity of debtors through greater export earnings.

He then referred to a series of trade liberalization measures by his Government, including wide-ranging tariff reductions and improvements in its standards and certification systems. In addition, new comprehensive economic measures had been decided, including Japan's announcement of its intention to voluntarily implement tariff reductions on many items, an advanced MTN tariff reduction schedule on industrial products, a 50 per cent increase in its GSP ceiling quotas in the next fiscal year, and renewed determination to expand its manufactured imports.

While noting steady progress in GATT's overall work program, including trade in agricultural products and trade problems related to developing countries, his delegation considered that much work remained to be done and that efforts must be made to promote further progress before the next session. He stressed the need to examine, within the framework of GATT, matters related to trade in high-technology goods and services, as these areas were of growing importance for trade expansion. Regarding safeguards, the consultations in 1983 had laid the foundation

for further results, and utmost efforts should be made to reach a comprehensive understanding in time for the next session. Japan would continue to participate actively in the negotiations to achieve this goal.

He said that consideration should be given to developing the results of GATT's work program in the years after 1985. In the light of the fact that the world was now emerging from recession, his Government believed that the time had come to give serious thought to preparing a new round of multilateral trade negotiations to boost the confidence of the world economy and to ensure economic recovery. The Japanese Prime Minister had recently stressed the importance of promoting the preparation of such a new round. Japan recognized that this would be a multilateral undertaking and wanted to have full consultations with all interested contracting parties. His Government would continue to make the utmost efforts to strengthen the basis of the world trading system.

Mr. VILLARAN (Peru) said that the debt situation for a number of developing countries had become increasingly unmanageable, as the level of debt servicing had to be maintained at a certain level while at the same time the contraction of trade prevented developing countries from earning enough to meet their obligations. Credits obtained by developing countries had served to correct emergency situations and thus had not been integrated into the productive systems of their economies. This, combined with the restriction of credits by international banks and credit institutions, as well as the increase in the level of real interest rates, had increased difficulties faced by developing countries in restoring the positive evolution of their economies. He supported the view stressed by GATT economists in "International Trade 1981-1982" that developing countries would be able to repay their debts only if their trade opportunities were expanded through more liberal access to creditor-country markets for goods which they were able to produce with comparative advantage.

He underlined the fact that despite the weight of its external debt and the fall in the prices of minerals which constituted a substantial portion of its earnings, Peru had maintained its program of tariff reductions and had progressively eliminated non-tariff measures. However, there had not been a similar opening of developed country markets, as shown by recent discussions in the Committee on Trade and Development on the implementation of Part IV and the operation of the Enabling Clause, as well as in the consultations on tropical products and in the discussions of the Committee on Trade in Agriculture. Nevertheless, his delegation appreciated the work done so far on the work program set by Ministers and he said it was essential to continue this work in 1984.

He noted with interest the recent efforts made by some developed countries to improve their differential and more favourable treatment of developing countries. He believed, however, that the GSP schemes of

developed countries would contain better possibilities if their scope was enlarged to cover more products of interest to developing countries, and if restrictions of all types were eliminated on imports of products included in the GSP, since these restrictions only undermined its benefits.

He said contracting parties were aware that the developing countries were facing difficult times, as shown by their trade balances, capital flows and the problem of their international debt. Given these facts, he could not agree with the view expressed by a number of delegations that developing countries should undertake more obligations under the GATT. Developed countries should be asked to meet their existing obligations under the GATT in order to improve the current situation; and they should not ask developing countries for reciprocity as those countries were not able to comply with such requests.

His delegation believed that the examination in the Committee on Trade in Agriculture of measures affecting trade in farm goods would lead to appropriate recommendations aimed at ensuring better compliance with the rules and disciplines of the General Agreement. He referred to recent consultations on tropical products during which Peru had put forward a series of requests to improve access of tropical products to industrialized markets. The latest round of consultations had shown the lack of political will of developed countries, which had limited themselves to taking note of requests just made or to undertaking to continue studying past requests. Such consultations would have to produce more positive results if they were to lead to negotiations aimed at further liberalization of trade in this sector.

Another issue of fundamental importance was safeguards and it was regrettable that in the past year the consultations had not led to an undertaking along the lines established in the Ministerial Declaration.

Referring to studies being undertaken on metals and non-ferrous metals by the GATT secretariat, he said these should form the basis for consultations in 1984. The aim of those consultations should be to improve the excessive degree of dependency of the countries concerned on raw materials for their foreign exchange earnings. He pointed to the problems of tariff escalation and the application of non-tariff measures which had inhibited market access for semi-manufactured and manufactured products. These market conditions interfered with the industrialization process and denied developing countries the possibility of overcoming their present economic difficulties.

Mr. ABBOTT (European Communities) reflected on some developments in the international trading environment and the contribution that work in GATT could make. He said that prospects for resumed economic growth in the industrialized countries were better than they had been a year earlier, and that the Community was looking forward to an increase in economic growth in 1984 of about 1.5 per cent. He noted that within this figure wide variations existed between member States and that this was

true more generally for the world economy as a whole. However, unemployment in the Community was unacceptably high and still rising, constituting a major preoccupation for governments and a constraint on policy options.

He said that in recent years it had been important to stress the dangers of increased protectionism to the trading system and to economic recovery, but now that economic prospects seemed more encouraging the Community felt that a cooler look at this issue was needed since the expected proliferation of protectionist measures had not materialized. For example, the trade picture in 1982 did not suggest a proliferation of protectionist measures: although world trade in manufactures had declined, it had fallen by less than world production. Also, agricultural trade had continued to rise, although more modestly than in the past. In many cases, a lack of strong demand rather than a proliferation of new trade restrictions had put a brake on exports. He said there had been a tendency to ignore the major contribution that the GATT-based trading system had made to the liberalization and growth of international trade, and that the system had held up remarkably well. While there was always scope for further trade liberalization, which would be an important element in supporting sustained economic recovery, he warned that this would not be a panacea for all the problems of the world economy in general and of the developing countries in particular. He said that a one per cent cut in interest rates, along with economically sound and stable exchange rates, would do more to alleviate the debt burden of developing countries than any liberalization to improve access for developing country exports.

He said that the Community was not advancing this argument to justify inaction; on the contrary, the Community had taken an initiative to roll back protectionism in order to give substance to what had been agreed in GATT in November 1982, in the OECD, at the Williamsburg Summit and at UNCTAD VI. While the Community's ideas were modest in their ambitions, a policy of successive small steps rather than any one spectacular action seemed more consonant with the prospects for economic recovery and with what could realistically be done at this stage. The Community saw the initiative as a contribution to a collective exercise and looked to its partners to join it.

He referred to paragraph 5 of the Ministerial Declaration which expressed determination to create a renewed consensus to restore confidence in GATT's capacity to provide a stable and predictable trading environment. It was the absence of such a consensus on some matters in relation to basic GATT rules, he said, that was behind a certain sense of dissatisfaction in international economic relations, and behind an increasing tendency to question the established world economic order and its institutions. He cited several areas where established patterns had been put in question, including subsidisation, customs unions and free-trade areas, safeguard action and emergency measures, and the manner in which developing countries should be given derogations from the general rules but at the same time be more fully integrated into the system.

Since the GATT was an evolving institution, he said, the process of reviewing established rules could be desirable. However, evolution should reflect consensus and agreement, and new understandings should be reached through negotiation and debate rather than by securing legal rulings. Recent experience in the dispute settlement process provided evidence of the harm resulting from a lack of consensus. He drew attention to the paradox between the formal reaffirmations of the importance attached to a strengthened multilateral trading system and the negative impact of specific actions which had tended to weaken GATT. The contracting parties should look beyond immediate issues or disputes, and look at the system as a whole in which they all had a stake; they should avoid exposing the system to further strain by undermining the GATT.

Regarding GATT's future activities, the Community viewed the work program set by Ministers in 1982 as a delicate package which had to be implemented in a fully balanced way. Only on such a basis would the CONTRACTING PARTIES, at their 1984 session, be able to reach a global assessment of the situation in order to reflect on their work for the second half of the 1980s.

He concluded by saying that recent declarations by Japan on the importance of promoting the preparation of a new round of multilateral trade negotiations deserved careful study. At this stage, when the contracting parties were barely halfway through the 1982 Ministerial work program, the Community considered it a little premature to be looking for any decisions, or even for precise orientations, on this subject. The contracting parties should now begin to think ahead as to what the next steps in fulfilment of GATT's objectives should be in 1985 and beyond; but as the Director-General had recently pointed out, any new initiative for trade liberalization would require extensive preparation, and the completion of the current work program was an essential first step.

Mr. EWERLÖF (Sweden, on behalf of the Nordic countries) said that the international economic situation had not improved much in 1983. Despite promising signs of recovery, it would take time before the recovery alleviated protectionist pressures. Against this background, it was essential for governments to resist protectionism, to liberalize and dismantle impediments to trade and to strengthen confidence in the open trading system. Roll-back measures, particularly when taken by the major trading nations, could provide a much needed signal to the international business community.

It was the general impression of the Nordic countries that the follow-up to the Ministerial meeting had so far registered some progress which would improve GATT's functioning. They particularly welcomed the Council's decision in 1983 to review in its special meetings the implementation of paragraph 7(i) of the Ministerial Declaration. This would help to create the transparency necessary to check the proliferation of "grey-area" measures.

He regretted that it had not been possible for the CONTRACTING PARTIES to take a decision on safeguards at the present session, and stressed that this should remain a priority item on GATT's agenda. He emphasized the importance that the reviews of the implementation of paragraph 7(i) might have for the safeguards negotiations; the Nordic delegations hoped that all measures with a safeguard effect, including measures taken under Article XIX, would be covered by the Council's reviews.

The Nordic countries attached great importance to the work of the Committee on Trade in Agriculture, which should be the focal point of all matters related to agricultural trade. He hoped that the examinations in this Committee, as well as discussions on subsidies, would help to deal with global problems of trade in agriculture.

Turning to the work program of the Committee on Trade and Development, he recalled that the Nordic countries belonged to the first group of countries being consulted, and said that they had found the consultations useful. Referring to the consultations on tropical products, he said that many difficulties remained to be tackled, but the foundation had been laid for a constructive dialogue.

On services, he noted that work was underway in several capitals to prepare national studies, the results of which would be made available to GATT in early 1984. He believed that the decision in late 1984 as to GATT's possible rôle in services should be based on as many national contributions as possible, and it was important that the developing countries should also make their voices heard in this process.

He then turned to difficulties in GATT's dispute settlement procedures. Several panel reports dealing with sensitive interpretation of rules on agricultural subsidies had not been resolved, and it had been suggested that this deadlock reflected basic inadequacies in the dispute settlement system. The Nordic countries did not share this view, as these panel reports had dealt with problems of interpretation which had not been resolved during the Tokyo Round. The tasks assigned to the panels were impossible to resolve without renewed negotiations. He believed that GATT's dispute settlement machinery would continue to serve the CONTRACTING PARTIES as long as it was not over-extended.

Mr. JAYASEKERA (Sri Lanka) recalled his delegation's disappointment at the outcome of the 1982 Ministerial meeting, which had not adequately dealt with the problems of protectionism. These reservations had unfortunately been justified by what he saw as the continued deterioration in the international trading system over the past year. He said that there seemed to be increasing recourse to bilateralism, and that one had to increasingly scan newspapers, rather than GATT documents, to follow major trade disputes. Sri Lanka was also disappointed at the lack of any agreement on safeguards, even though this had a priority place in both the 1979 Work Program and in the 1982 Ministerial Declaration, which had called for a comprehensive understanding on this issue.

After welcoming the Director-General's announcement that an independent group would study and report on problems affecting the international trading system, he also welcomed the increasing attention being paid in GATT to the linkages between trade policy and the international financial system, both in discussions within GATT and in the 1982/1983 Report on International Trade.

Noting that this report had drawn a correlation between international indebtedness and the need for liberal access to the markets of creditor countries, he stressed the need to rationalize the "rules of the game" of international trade and finance. A scenario could be envisaged in which the World Bank would provide financial support for a project in the export sector of a developing country, and the ensuing exports could then be legally restricted through safeguard action in GATT. Should the export shortfall lead to a current account deficit, which the developing country hoped to finance through the IMF, it would then be confronted with conditionality clauses that placed the responsibility for adjustment on the developing country. It seemed necessary that some kind of interagency liaison be set up to prevent such situations, which were not improbable, from taking place. He stressed the need for setting up closer links between GATT and the IMF, but GATT should not act as the monitoring arm of the Fund, particularly in respect of IMF conditionality.

He referred to the section on page 6 of the GATT Report entitled "Trade adjustment in selected indebted countries", which pointed out that under increased pressure of debt service there had been a moderate decline in the combined merchandise trade deficit of the oil-importing developing countries in 1982, and that this had been characterized by a contraction of imports and, in a few cases, by an increase in exports. Sri Lanka shared the view that reduced imports involved a severe contraction and sometimes even the elimination of growth, and that a decline in the merchandise trade deficit should take place through export expansion rather than import contraction.

In conclusion, he drew attention to a report entitled "Towards a New Bretton Woods", prepared under the auspices of the Commonwealth Secretariat, which contained a section on international trade. While commending GATT's success in reducing tariff protection on manufactured goods, this report had deplored the recent trend towards bilateralism and discrimination in the trading system. It had called for a more rule-oriented international trading system in which the principles of non-discrimination, multilateralism and transparency were firmly entrenched.

Mr. PURI (India) recalled that since its inception, GATT had served as the fulcrum on which the multilateral trading system had operated. While it was true that basic changes were needed for finding structural, long-term solutions to present problems, perhaps the time had come for the CONTRACTING PARTIES to acknowledge that the current deterioration in

the international trading environment was mostly due to the lack of contracting parties' willingness to discharge their obligations effectively while at the same time they showed an over-enthusiastic desire to enforce their rights.

He said that in no area was this more evident than in relations between the developed and less developed contracting parties. Events of the last few years had increasingly demonstrated that even the basic commitments undertaken by the developed contracting parties towards their less developed trading partners in GATT, under Part IV in general and under Article XXXVII in particular, were being relegated to even less than a best endeavour. The impression was gaining ground that even the effort to fulfil the commitments in Article XXXVII was not being made.

He pointed to an increasingly large number of protectionist actions taken against exports of developing countries. More than one hundred anti-dumping and countervailing actions had been taken in the eight months following the GATT Ministerial meeting. While it could be argued that countervailing and anti-dumping actions were prima facie legal measures and intended to offset unfair trading practices, what had often been lost sight of was the fact that these actions were taken by countries which frequently did not take the trouble to ensure that their domestic legislation in this area conformed to the requirements of the specific GATT codes on these subjects; and secondly, these actions in many cases could not be said to be intended to prevent injury or the threat thereof to domestic industry; rather they assumed the nature of specific protectionist actions. Nearly half of all the countervailing and anti-dumping actions had either resulted in determinations of no subsidy or dumping, or had led to outright termination or withdrawal. This high figure and the adverse impact of the actions on trade spoke for themselves. India had long maintained that the mere initiation of such investigations had often led to a total loss of trade for small exporting firms in developing countries.

He said that it would be useful one year after the Ministerial meeting to assess the extent of implementation of paragraph 7(i) of the Ministerial Declaration. Such an assessment would show that the content of the Declaration in general and of that paragraph in particular amounted merely to statements of intention rather than of resolve.

He added that while the fulfilment of commitments undertaken by the developed contracting parties vis-à-vis their less developed partners had been forgotten, there was an increasing tendency to ignore the adverse economic circumstances prevailing in the developing countries, and instead to make proposals whose net and overall effect was to make demands on those countries; the proposal to initiate a new round of North-South trade negotiations was an example of this.

There was a tendency to overlook the fact that any effort to help the developing countries in their difficult economic situation must use as its starting point an attempt to increase their purchasing power by affording increased access for their exports in the markets of developed countries. Any attempt to use the heavy indebtedness of the developing countries as a lever to force them to liberalize their import régimes would only cause long-term structural damage. Instead, a beginning could be made by liberalizing trade in sectors of predominant interest to those countries.

He concluded by saying that the CONTRACTING PARTIES would be complacent if they waited for further signs of economic recovery to find solutions for the twin problems of protectionism and indebtedness. Protectionism was both the cause and result of a difficult economic environment. The time had come for the CONTRACTING PARTIES to send a clear signal to those in charge of the formulation of trade policy to reverse protectionism.

Mr. BEESLEY (Canada) said that the present session provided an opportunity for the CONTRACTING PARTIES to chart a course for the coming year in order to ensure that the goals of the 1982 Ministerial meeting were met. Progress achieved so far on the work program set by Ministers still left a considerable amount of work to be done before the deadline of the next session. The work program formed a comprehensive package providing a certain balance of interests to strengthen the international trading system as a whole. It was therefore important that contracting parties devoted due effort to each element in the package and that they all participated fully and actively in the work.

He said that progress had been made in a number of areas, including trade in agriculture; consideration of the crucial issue of subsidies had begun. Consultations on the implementation of Part IV had got off to a good start, and a work plan had been established for consultations and appropriate negotiations on liberalizing trade in tropical products. Rules had been established for conversion to the Harmonized System of tariff nomenclature. The Group on Quantitative Restrictions and Other Non-Tariff Measures was about to move into the second stage of its work. On the other hand, Canada regretted that the CONTRACTING PARTIES were unable at the present session to adopt a comprehensive understanding on safeguards. It considered that such an understanding was vital to reinforce the commitment in paragraph 7(i) of the Ministerial Declaration and to improve discipline in the international trading system. The CONTRACTING PARTIES should strengthen their determination to conclude such an understanding.

Similarly, Canada considered that work on trade in services, high technology goods and counterfeit goods, all of which were included in the Ministerial Declaration, had been slow to get off the ground. Canada supported an acceleration of work in these areas.

He said that although a draft of one study related to trade in resource products was now available, work in this area was also behind schedule. The secretariat studies would only represent a first step in fulfilling the Ministerial mandate to examine trade in resource products in their semi- and fully-processed forms with a view to recommending possible solutions. Canada urged all contracting parties to fully support work on this item of the Ministerial work program, as Canada itself did with respect to all items in that program, and to participate actively in the deliberations of the working parties on resource products when they were established.

In conclusion, he said Canada believed that progress had been made on the Ministerial work program, but the progress was uneven. Much work remained to be done in the short time available. He urged all contracting parties to commit themselves to work actively on all elements of the program. Only through such a commitment would they be able to register substantial progress at their next session.

Mr. NOGUEIRA BATISTA (Brazil) said that the present session provided a useful opportunity for the CONTRACTING PARTIES to evaluate developments in world trade in 1983 as well as to assess trade measures taken by contracting parties, within or outside GATT. He said that he took strong exception to the remarks made by the representative of the European Communities concerning protectionism, and added that the CONTRACTING PARTIES had been unable to stem the tide of protectionism during the past year, let alone pursue liberalization. "Grey area" measures of a restrictive character had continued to proliferate and the resort to safeguard actions, even when allegedly based on specific GATT provisions, such as Articles VI, XVI and XIX, did not always seem to rest on very solid grounds in terms of the General Agreement.

It was particularly disheartening to see how protectionist actions penalized the exports of developing countries. New restrictions had been adopted by industrialized countries in order to safeguard their markets from what was, in fact, legitimate competition from developing nations. What was worse, however, was that developing countries' exports were encountering unfair competition by subsidized exports from certain industrialized countries. There was reason to believe that such subsidization might be inconsistent with those countries' GATT obligations.

While appreciating the economic difficulties faced by industrialized countries, it was essential that they took a leading rôle in re-creating the necessary consensus on free trade, and that they recognize the necessity of all countries, especially developing ones, to be given full opportunity to benefit from trade liberalization.

Countries had the right to take safeguard action in emergency cases, but these actions should be fully consistent with GATT, and they should be transitory. In other words, the purpose of safeguard actions was to provide time for appropriate adjustment policies to be introduced in the

protected sector. He pointed to the inconsistency in the arguments of those who suggested that structural adjustment was not a task to be addressed by governments but who, at the same time, supported governmental intervention for protectionism.

Referring to the so-called trade-finance link, he said that international indebtedness, particularly of developing countries, posed a serious threat to the world economy. Rectification of this problem should derive from expansion of exports of debtor countries, not by the contraction of their imports. Contrary to the views of some, Brazil believed that improved access to markets for exports of debtor countries would play an even more important rôle in the correction of their balance-of-payments problems than would an improvement in international demand.

The past year had seen some progress on the Ministerial work program, particularly as regards collection of information on some basic issues. Brazil hoped that in the course of 1984 the CONTRACTING PARTIES would be able to push forward the implementation of the work program to such an extent that they would, at their next session, be able to reach agreement on the various elements of the program. An indispensable condition for the success of this endeavour would be that all contracting parties, especially the most powerful, fulfil their undertakings under paragraph 7(i) of the Ministerial Declaration.

Finally, he took issue with the assertion that correction of the US trade deficit was an essential pre-requisite for world recovery and therefore a major responsibility of the United States' trading partners. In his view, a far greater contribution to world economic recovery would be achieved through a reduction of the US budgetary deficit, with the implications that this would have for the value of the US dollar.

Mr. BERGUNO (Chile) noted that the economic dynamism of the post-war period was largely based on sharp trade growth. It was a matter of great concern therefore to see the contraction of world trade in recent years. Cause for even greater concern was that, especially for developing countries, the contraction of trade in value terms would not have occurred if exports had not been denominated in dollars; in fact, the volume of trade in many countries had not decreased. It was particularly disturbing to note that the average dollar prices of primary agricultural products, so important to developing countries, had been negatively affected by the appreciation of the dollar. Also, as had been noted in GATT's annual report "International Trade in 1982/83", the slowing of growth and reduction of per capita income in many developing countries, excluding oil-exporting countries, derived in large measure from the economic recession in industrialized countries, and from increased financial obligations.

He said that overcoming current international economic problems would depend on the use of intelligent economic policies in both debtor and creditor countries. The ability of debtor countries to

simultaneously maintain their level of imports and to repay their debts, required stable and sustained growth in the value of their exports during the next few years. Suppression of protectionist trade measures was a pre-requisite for this development. In addition, closer co-operation between the International Monetary Fund and GATT would constitute a useful step in this direction, if adjustment policies required by the Fund could be coordinated with increased access for exports of countries negotiating such adjustment measures.

The concepts of linking trade with finance and structural adjustment with economic growth were not new. What was new was the sense of urgency to see something done. Chile hoped that implementation of the Ministerial work program would bring results which would permit countries to achieve trade growth and alleviate their critical economic situation. It was essential not to lose sight of the objectives in that program. In the Committee on Trade in Agriculture, for example, it should not be forgotten that the objective was to achieve a balance in the rights and obligations of contracting parties, global reciprocity and mutual advantage, keeping in mind the special needs of developing countries. The work in the various GATT bodies would have to be accelerated if the goals set by Ministers were to be achieved by the 1984 session. He said, however, that the increase in the number of trade measures reflecting non-fulfilment of the undertakings in paragraph 7(i) of the Ministerial Declaration brought into question the political will of some contracting parties to see the realization of the Ministerial work program.

He concluded by saying that Chile recognized the essential link between trade and economic growth. His country was committed to the pursuit of trade liberalization and therefore to the realization of the Ministerial work program.

Mr. MARTINEZ (Argentina) regretted that the prepared statements made by delegations at the present session did not allow for a real debate on the current functioning of the world trading system, but merely for an overview of GATT activities. His delegation felt it was important that in future the CONTRACTING PARTIES should take advantage of their annual sessions to have real discussions which would allow for better co-ordination of the activities of the various GATT bodies.

Looking for concrete results in the past year's work within GATT, he expressed regret that not more had been achieved, particularly with reference to the work program set by Ministers in 1982; real progress towards trade liberalization could be made only when governments renounced the use of protectionist measures and then actually followed up their promises with deeds. He welcomed the expansionary policies declared by his country's major trading partners, but felt that as long as developing countries did not participate in the recovery of trade and economic growth, there could be no permanent improvement in the world economic situation.

His delegation considered that the past year had seen no real progress towards trade liberalization but had, on the contrary, witnessed the increasing use of more sophisticated forms of protectionism, of which anti-dumping and countervailing duties were only two examples. Governments had not been faithful to their statements of intent at the Ministerial meeting, thus creating a serious risk of loss of credibility for the GATT and for the contractual obligations undertaken under the General Agreement. He said he was thinking particularly of the decision (L/5426) concerning Article XXI which the CONTRACTING PARTIES had taken at the Ministerial meeting.

Turning to the problem of indebtedness faced by many developing countries, he said that this could not be resolved solely by the expansion of trade, because the domestic monetary policies of creditor nations were often a significant contributory factor to the indebtedness of others.

Considering the proposal made by the representative of Japan for a further round of multilateral trade negotiations, Argentina assumed that such a round would be directed towards covering ground that had not been covered during the Tokyo Round, such as safeguards, quantitative restrictions, residual restrictions, agriculture and negotiations on specific sectors.

Finally, he called for an understanding to be reached rapidly on safeguards, and for adherence to the commitments made to developing countries in both the General Agreement and the Ministerial Declaration, which were essential conditions for a permanent expansion of world trade.

Mr. VIDAS (Yugoslavia) said that there had been an escalation of protectionism in the past year; this had confirmed the structural imbalances in the world economy which would prevent the spread of economic recovery and its transformation into a general and durable process.

He pointed to some areas in which recent developments had been particularly unfavourable to developing countries: the weakening of multilateral co-operation in international trade; restrictions on the application of the most-favoured-nation clause; the implementation of "grey-area" safeguard measures which underscored the need for urgent action in the Committee on Safeguards; and increased restrictions faced by textile-exporting developing countries after the third extension of the MFA.

He said that the restrictions and subsidies affecting agricultural trade made it indispensable to direct the activities of the Committee on Trade in Agriculture towards improving trade in this sector, while taking into account the special needs of developing countries. He then turned to the adverse impact of various non-tariff measures, including those

regulated by the codes resulting from the Tokyo Round, and said that these codes had not in practice provided more favourable treatment of developing countries, and had therefore not attracted many of these countries to join them and benefit from them.

Yugoslavia, he said, attached particular importance to implementation in the Committee on Trade and Development of the decisions taken at the 1982 Ministerial Meeting. The consultations initiated in the Committee should lead to more effective implementation of existing GATT rules in favour of developing countries, and to improvements and a greater degree of legal binding of the rules. Urgent action should be taken within GATT to open up markets for the exports of the least-developed countries.

He said that access to the markets of developed countries should be facilitated for developing countries with payments difficulties, thus avoiding further unfavourable consequences both for them and for international trade in general. Future trade liberalization measures should not impose on the developing countries conditions which they were unable to fulfil, and debtor nations should not be forced to pursue deflationary policies to the detriment of their development needs. Only the political will of the contracting parties could secure concrete and effective actions contributing to sustained economic recovery and the promotion of international trade.

The meeting adjourned at 7 p.m.