GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONTRACTING PARTIES
Twenty-Seventh Session

SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 24 November 1971, at 10 a.m.

Chairman: Mr. Carlos BESA (Chile)

Subjects discussed: 1. Developments and Trends in International
Trade and their Implications for Future
International Trade Policies and
Trade Relations
2. Further Development of Trade Expansion
Programme

The DIRECTOR-GENERAL addressed the CONTRACTING PARTIES and made certain
suggestions on the possibilities for action - both short term and long term - that
might be envisaged. The complete text of the Director-General's statement was
distributed in document L/3634.

Mr. KIMURA (Japan) stated that the CONTRACTING PARTIES now found themselves at a
most crucial moment and that it was of vital importance for them to prevail over the
present crisis and uphold the principles of the General Agreement. He was confident
that GATT would succeed in so doing, and his Government was firmly determined to make
whatever contributions possible to attain such a purpose.

He pointed out that the present crisis with which world trade was confronted had
diverse aspects, involving both monetary and trade problems.

As regards the problems of international trade, GATT had to make its utmost
contribution to their solution, in view of its great responsibility for the expansion
of world trade. Looking at the present situation, one could see that protectionist
tendencies were emerging in a number of countries and would undoubtedly spread over
the world, unless short-term as well as long-term measures were taken by GATT to
counteract such tendencies effectively.

Bearing in mind these circumstances, his Government wished to take this occasion
to urge the Government of the United States to remove the import surcharge without
delay, in compliance with the conclusion of the Report of the Council. In this
connexion, he also expressed the serious concern of his Government regarding the
Job Development Tax Credit and other measures now under deliberation in the
United States Congress. Such measures were likely to be inconsistent with the General Agreement. If they were implemented, they would further disrupt world trade. He therefore strongly requested the delegation of the United States to recommend to their Government that the implementation of these measures be avoided by all means.

Referring to the expansion of economic integration and the proliferation of preferential trading arrangements now being observed in various parts of the world, his Government felt that such arrangements presented a serious threat to the principle of non-discrimination in the General Agreement. He believed that it was necessary to make a careful examination with a view to ascertaining how the GATT might best deal with this situation. His delegation, therefore, supported the proposal of the United States that the CONTRACTING PARTIES should establish a working party to examine the effects and implications of the preferential and special trading arrangements. He expected that such an examination would lead to a better understanding of the problems of world trade, and thus make a useful contribution to the preparations for overall trade negotiations.

As regards the trade situation of the developing countries the Government of Japan believed that an increase in their export earnings was indispensable for their economic development. It was from this point of view that his Government had implemented its Generalized System of Preferences on 1 August this year. He urged those contracting parties which had not yet implemented their scheme to do so at the earliest date possible.

His delegation had also taken a sympathetic attitude at this session towards the results of the trade negotiations among developing countries and hoped that the efforts thus initiated would contribute to the expansion of trade among the developing countries as a whole.

Turning back to the present trade problems, he stated that if GATT was to deal effectively with these problems and was to maintain the principle of free trade, it was of vital importance for contracting parties to refrain from introducing protectionist measures which could cause a trade war. Further, in order to correct various distortions in world trade and to ensure its sound development, it was essential to hold a new round of multilateral trade negotiations as a concerted action by the CONTRACTING PARTIES. He recognized that such global negotiations could not be started at once, in view of various circumstances prevailing in individual countries, including his own, but was nevertheless convinced that it was of the utmost importance for the CONTRACTING PARTIES to reach a consensus at this session that global trade negotiations should be held as soon as contracting parties were prepared.

It was of course necessary to make elaborate preparations before the opening of such global trade negotiations. As these would be time consuming, he urged contracting parties to give sufficient stimulus to the preparatory work already under way. For example, the work on non-tariff barriers in various committees and working parties should be promoted and the scope of such work should be properly enlarged. The importance of the tariff study should also be emphasized.
Furthermore, his delegation believed that a decision should be taken at this session to establish the group proposed by the Swedish delegation at the informal meeting of the CONTRACTING PARTIES in April. He was confident that the work in such a group would make a significant contribution to the preparations for the next round of multilateral trade negotiations.

With regard to the work concerning trade in agricultural products, he pointed out that it was not realistic to try to find hasty and uniform solutions and the actual situations in member countries had to be taken into full consideration.

He pointed out that a consensus to hold the multilateral trade negotiations should not retard the efforts of each contracting party to liberalize its trade further. Such efforts would no doubt contribute a great deal to the early opening of the global trade negotiations. Since the informal meeting of the CONTRACTING PARTIES last April, his Government had continued to reduce the number of items under residual import restrictions. Tariff rates on a considerable number of items had also been voluntarily reduced, in addition to reductions as a result of the accelerated implementation of the last stage of the Kennedy Round. It was the intention of his Government to continue to make further efforts to advance import liberalization.

In concluding, he expressed his earnest desire that a meaningful consensus could be reached at this session of the CONTRACTING PARTIES to hold a new round of multilateral trade negotiations.

Mr. FELDT (Sweden) recalled how GATT had offered a framework for conciliating differing interests and for world-wide negotiations which could not be found in any other organization. His country wished to reaffirm its support for the multilateral trading system, which was best defended by adherence to the rules of GATT.

He expressed his concern over the present situation. No decision had been taken on a continued forward movement once the Kennedy Round results were implemented on 1 January 1972. The selective approach in the current work programme of the GATT, however useful, did not seem prone to yield significant results. Further progress depended on the necessary political decisions being taken. Furthermore, the recently introduced protectionist measures might have serious consequences for world trade and unless they were soon removed there was a great risk of an escalation of these measures.

It should be recognized that all developed countries had a responsibility to contribute to redress the disequilibrium in the balance of payments of some of the major industrial nations.

A special responsibility rested on those countries which took part in regional groupings, and thereby represented great economic strength. This was particularly true in the present world-wide monetary crisis. Only a determined effort by the powerful industrialized countries and regional groupings, reflected in a continuously outward looking attitude in their trade policies, could successfully contribute towards solving the common problems.
The task of the CONTRACTING PARTIES at this session should be to create a new impetus in the GATT in order to safeguard the results achieved and to prepare for further trade liberalization. This called for new and intensified working methods. If this challenge were not met without delay, a deterioration of trading relations might well result.

Expressing the view that a comprehensive approach was necessary, he recalled the suggestion put forward last April by his delegation to establish a trade policy group. This group should consist of senior officials responsible for trade policy matters and of the chairmen of the three main GATT committees, and should reflect a fair geographical distribution. The group should analyze and evaluate alternative techniques and modalities for dealing in the GATT with longer-term problems affecting world trade in the industrial and agricultural sectors. Action should be directed towards promoting the trade of all contracting parties and embrace both tariff and non-tariff barriers. The group should take into account, inter alia, experiences from past multilateral tariff and trade negotiations and the GATT Work Programme initiated in 1967, and should make its first report in the course of 1972. Such a trade policy group would, in its activities, complement - not duplicate - the work carried out by the OECD experts.

He believed that this proposal could be easily combined with the Australian proposal that a group of experts be appointed with the task of dealing with the problems of international trade in agricultural products.

Furthermore, he was in agreement with the Canadian proposal of April 1971 that the CONTRACTING PARTIES should make a declaration of intent as regards further trade liberalization. A decision at this session in accordance with the Swedish proposal combined with such a declaration of intent could have an important psychological effect.

Mr. ADEYEGE (Nigeria) stated that the moment had come for deep reflection and a thorough examination of the entire institution of GATT. While his country, at that time still a dependent territory, had not participated in the negotiations to establish the General Agreement, his country fully respected the useful institutional framework of GATT for fostering international co-operation in world trade. In particular, he expressed his satisfaction with the addition of Part IV to the Agreement, which was a real breakthrough as it was imperative that GATT should take full cognizance of the attendant problems of under-development.

He regretted to note, however, that, after over half a decade since its inception, there was still an important trading nation unwilling to accept Part IV. This had influenced the application of its provisions in one of the largest economic groupings. Furthermore, though his delegation was of the opinion that the provisions of Part IV constituted a sufficient legal framework for appropriate action on specific trade problems of the developing countries, he noted that there
had been a lack of political will to act in unison with the provisions of Part IV and that the developed contracting parties had not gone beyond verbal expressions of sympathy with the Nigerian proposal for a standstill action on some export products of particular trade interest to the developing countries. However, in spite of the limitations which might be inherent in the general language and the interpretation given to Part IV, his delegation believed that certain actions were still possible. He stated that his confidence in the GATT was inevitably bound to decline unless immediate steps were taken to reorientate the activities of the GATT.

He further stated that perhaps the time had come to have a careful look at the entire provisions of the General Agreement with the view to embarking on a general review of the GATT so as to take into full account the present circumstances in the world. His delegation, therefore, supported, in principle, the proposal that a trade policy group be established. The work of such a group would serve as an interim measure in preparation for all-embracing action by the CONTRACTING PARTIES.

He also indicated his interest in the proposal made by the delegation of the United States in respect of the growing proliferation of preferential and special trading arrangements among contracting parties. He had taken particular note of the concern expressed by that delegation as to the seeming departure arising from the application of the provisions of Article XXIV as against those of Article I of the General Agreement and the eroding impact on the most-favoured-nation principle of the numerous arrangements for preferential and special tariff treatment exchanged among contracting parties. However, the proliferation of the imposition of import surcharges was equally causing much concern. He could not agree that there was sufficient GATT justification for some of these import surcharges, which had equally undesirable eroding effects on the very foundation of GATT.

He considered, furthermore, that the developing countries had to engage in the process of economic integration in order to overcome the natural consequences of size and lack of diversity in economic potentials. He strongly shared the view that the salvation of the developing countries rested in the first instance in their hands and it was only through co-operation in the trade field that they could make an appreciable advance forward in the pursuit of a modern economic structure of industrialization. He drew attention to the need to evolve appropriate solutions to the trade problems already identified in respect of tropical products, particularly processed and semi-processed products. He asked what would be the contribution of GATT to the early conclusion of the long overdue international agreement on cocoa. He wondered why contracting parties like Japan and the European Communities still continued to maintain considerable restrictions on imports of processed cocoa products and vegetable oils. He said that a sincere effort made immediately to eliminate these would enhance his Government's confidence in the GATT. He reiterated his Government's continuous stress on the action that should be taken to liberalize trade for tropical vegetable oils and oilseeds. Several countries had, in recent years, embarked on measures resulting in the escalation of tariffs on vegetable oils.
He hoped that new initiatives would be taken for another round of trade negotiations and indicated his Government's wish to be associated with it. However, unlike the Kennedy Round, such a round should be an exercise not exclusively for the industrialized nations but should concentrate on the problems of developing countries.

In order to promote the interests of both the developed and the developing contracting parties, the work programme of GATT for the coming year should make substantial progress in all the major sectors of international trade. In the past year progress had mainly been made in the sector of trade in industrial products. From this trend, one was tempted to conclude that the industrialized Members of GATT were only committed to the pursuit of their own interests in GATT, thereby relegating those of the developing countries to the background. He urged governments to consider seriously the recommendations of the Group of Three and agreed that this work should be followed up.

Mr. ANTHONY (Australia) recalled that the past year had shown rising unemployment in parts of every continent; a polarization of economic strength; the imposition of import surcharges; and an uncertainty in international monetary affairs.

He pointed out that, as the disturbances were spread over several areas, the search for solutions would have to be global. There had already been discussion, for example, on the problems occasioned by recent events in the United States. Actions by such a significant member of the world trading community could not but have wide repercussions on other traders. But it was important to see these actions in the context of developments elsewhere and to read the danger signs of a movement backwards in world economic progress if the impetus for multilateral expansion was not maintained.

While urging that the United States surcharge be removed at the earliest possible moment, he recognized that the factors giving rise to the United States measures had been contributed to by policies and actions of other countries. All members of the international trading community, therefore, had to be careful that their actions, or lack of action, did not lead to a situation of dangerous confrontation. Such a situation could produce the very antithesis of the expanded programme of trade liberalization to which the CONTRACTING PARTIES had pledged themselves in 1967.

With respect to the trade problems of the developing countries, he referred to the valuable work of the Group of Three and was pleased to note that its work would be continuing.

The outcome of the trade negotiations among a number of developing countries, which these countries had been encouraged to pursue, represented an important milestone for the GATT. As regards the draft decision for a waiver, to enable the
proposed arrangements to proceed, he was giving urgent attention to the few matters remaining to be settled.

Turning to the Committee on Trade in Industrial Products, he expressed the hope that agreement would be reached at the present session on a programme to further the work on possible solutions in the area of non-tariff barriers and on the tariff analysis. He emphasized that in marked contrast, the Agriculture Committee had been unable to fulfill the essential task given to it at the twenty-fourth session of finding mutually acceptable solutions to the problems of trade in agricultural products. The fact that agricultural trade was growing at only about half the rate of growth in total world exports was a matter of concern to all exporters of agricultural products and developing countries in particular. While it could be expected that, as standards of living improved, the demand for manufactures would rise faster than for basic agricultural products, he did not consider the imbalance to be solely due to this factor. He also believed that the imbalance had resulted, at least in part, from the fact that trade liberalization measures had been accomplished predominantly in the field of tariffs on manufactures, to the benefit of those mature industrialized countries able to take full advantage of such tariff reductions. At the same time, some of those industrial countries had consciously adopted policies which brought about an expansion in their relatively high-cost, uneconomic agricultural production. This situation made it all the more urgent that in the context of further work on the programme of trade expansion, one should seek the necessary solutions in the agricultural field.

While he fully appreciated the progress made by the Agriculture Committee in identifying problem areas and discussing possible solutions, he believed that since the Committee had been unable to find mutually acceptable solutions, a different approach must now be considered in order to make progress. However, the problems to be confronted were not only of an economic character but also involved complex political and social factors very important to governments. While it must be recognized that individual countries had the right and even the responsibility to pursue policies of income support for their domestic agricultural sector, it must equally be recognized that the international community should not be expected to bear the costs, direct or indirect, of these policies. It was necessary to avoid the creation of chronic surpluses and the progressive contraction of import opportunities.

He repeated the proposal made by the Australian delegation at the informal meeting in April, that a small group of experts, not more than three or four, should be set up to seek solutions to the problems of agricultural trade for all countries. This group should consist of people well versed in agricultural trade and, importantly, also having an awareness of what might be acceptable to governments. Any recommendations they would make should be a matter for governments themselves to consider. This proposal did not mean that the present rules of the GATT as they apply to agriculture should be abandoned. The group should be asked to
explore thoroughly the means by which meaningful commitments and undertakings might be given as between countries in relation to agricultural trade. The essential ingredient was that the group be kept small and independent.

He agreed with the representative of Sweden that this proposal would complement that made by the Swedish delegation for another group to further the work under the Trade Expansion Programme by analyzing and evaluating the various possible techniques and modalities for broad trade liberalization.

Referring to the advanced state of progress of negotiations in connexion with the accession of a number of European countries to the Treaty of Rome, he underlined the importance, to Australia and other countries whose trade interests would be affected, of a prompt examination in the GATT of these arrangements as soon as they were concluded. It was highly desirable that this examination and the attendant negotiations under Article XXIV:6 should be completed before these arrangements began to take effect. Mutually acceptable arrangements should be worked out to achieve this objective and some understanding on this matter should be reached during the present session.

He suggested that a session of the CONTRACTING PARTIES might need to be convened during 1972 when it would be appropriate to consider the stage reached, not only on this important question but also on the possibility of a further limited round of negotiations to supplement those flowing from the enlargement of the EEC. These supplementary negotiations would afford an opportunity for "third country" contracting parties to negotiate concessions to mitigate any adverse effects of EEC enlargement on their traditional export trade.

Referring to the United States proposal for a Working Party to examine the important question of the existing and proposed preferential and special trading arrangements, he said that his authorities considered that the CONTRACTING PARTIES would do well to pause and examine these developments which had far-reaching implications for all. He therefore endorsed the line of action proposed by the United States.

In conclusion, he stressed the urgency of the need for a further substantive advance in trade liberalization. A considerable part of the stimulus enjoyed by world trade in the last four years had been derived from the annual instalments of Kennedy Round tariff reductions. As the final reductions would be put into effect in a few weeks' time, a slackening in world trade in the years to come could occur unless offsetting changes could be instituted in global economic and commercial policies. Unless care was exercised, the momentum generated by progressive liberalization efforts could be lost entirely. If protectionist tendencies took over from an outward and truly multilateral liberalization of trade, they would feed upon one another and aggravate already serious trends. The members of the world trading community all bare a heavy and solemn responsibility to ensure that this did not happen. He believed that the issues confronting world trade were of
such importance as to warrant regular examination in sessions of the CONTRACTING PARTIES by ministers responsible for these matters.

Mr. NOGUEIRA BATISTA (Brazil) stressed that among the new problems which faced the CONTRACTING PARTIES was the aggravation of protectionist trends as expressed by the adoption of tariff barriers by those countries which had a major responsibility in world trade matters.

He recognized the right of a contracting party to invoke escape clauses in order to face serious situations of economic disequilibrium, especially those relating to balance-of-payments difficulties. He could not understand, however, that these measures had been adopted without taking into consideration the basic principle of prior consultations with the contracting parties whose interests were at stake. Neither could he understand the universal application of the exceptional measures. These measures had been adopted regardless of the fact that the balance-of-payments difficulty presented as a justification, was not in any sense a consequence of the economic relations between the United States and developing countries. He also expressed serious concern about the possibility that the tariff surcharges might not be so temporary as those responsible for their adoption had initially declared, and that one might even face their possible increase, if not a chain reaction. This would provoke a chaotic situation in world trade relations.

These new developments had imposed an additional burden on developing countries, in addition to non-tariff barriers which impeded the free flow of goods. The twenty-two years since the signing of the General Agreement showed that while some developing countries carried on a progressive adaptation of their trade mechanisms to GATT rules, replacing exchange control and quota systems by ad valorem tariffs, the developed countries maintained a variety of quantitative restrictions on imports. In this context, he noted the impressive inventory of non-tariff barriers made by GATT's committees and, in particular, the work carried out by the Group of Three. This work showed evidence of the discriminatory application of non-tariff barriers to exports from developing countries and revealed the non-observance of GATT rules by the nations which had the main responsibility for world trade equilibrium. He did not admit that the crisis of the GATT was caused by the erosion of the most-favoured-nation principle. On the contrary, it had been an improvement to the GATT when the CONTRACTING PARTIES recognized the right of developing countries to enjoy a special treatment. The importance of this improvement was above all expressed in the conceptual field, to the extent that Part IV set up, for example, the principle of relative reciprocity. He also noticed progress when the CONTRACTING PARTIES approved the waiver on the Generalized System of Preferences, which expressly recognized a more advanced principle: that of absolute non-reciprocity.

He could not accept the opposition of some developed countries to reaching a decision at this session on the results of the trade negotiations among developing countries. These negotiations represented a joint effort of developing
countries to expand their exports and increase their participation in world trade. The pattern set up could not be considered as an infringement of the General Agreement. It was a logical and practical application of the principles which reoriented the GATT when it adopted Part IV and which also inspired the CONTRACTING PARTIES when adopting a waiver for the Generalized System of Preferences.

His delegation was aware of the fact that the new wave of protectionism would demand solutions of a monetary nature going beyond the strict control of GATT. However, the traditional non-tariff impediments maintained by developed countries presented a problem falling within GATT's competence. In his view, the fundamental question for GATT was the elimination of those barriers. The work of identification of those barriers should continue and include the quantification of their impact on the relations between developing and developed contracting parties. However, the removal of non-tariff barriers would not be conclusive unless developed contracting parties took the basic political decision to respect the fundamental principles of GATT.

His delegation shared the confidence of other contracting parties that the present GATT instruments would be appropriate for the identification of the problems and for the attainment of adequate solutions.

Mr. STRUS (Poland) said that international trade was at present characterized by two main tendencies. First, there was a tendency towards regionalization of trade through the proliferation and enlargement of economic integration arrangements and the creation of a network of preferential trading arrangements which contained elements of discrimination inconsistent with the General Agreement. Secondly, there was the threat of the spreading and intensification of various protectionist practices contrary to the essence of the General Agreement. A further characteristic of the present situation was the endeavours of the developing countries to obtain better conditions in their trade with developed countries. This tendency was in line with the principles of Part IV of the GATT and of recent decisions of the CONTRACTING PARTIES.

In his view, efforts should be concentrated on those problems where concerted action was needed to prevent an increase in barriers and restrictions of various kinds which would both restrict trade and limit its geographical distribution. His delegation considered therefore that the work being done under the Programme for the Expansion of International Trade should move as soon as possible, from the data collecting and study stage to the stage of negotiations. In this context, he supported the Swedish proposal that a group be set up to elaborate the conditions and modalities of further trade negotiations on a wide scale. As the mandate of the group should cover both industrial and agricultural trade, it could easily be combined with the proposal put forward by the delegation of Australia. The CONTRACTING PARTIES should take the decision to set up this group
during this session so that it could report back after a few months, at which

time the CONTRACTING PARTIES could take further appropriate decisions. He

believed that such a group should first of all deal with negotiations on non-
tariff barriers which were of ever-increasing importance as impediments to
agricultural and industrial trade.

His delegation could also support the continuation of work at present under
way and selecting new subjects for examination, but it was absolutely necessary
to move as soon as possible out of the study stage. The GATT was an action-
oriented organization and not an institute for economic research. Establishing
a group as proposed would constitute a concrete step forward in the direction of
a fuller attainment of the basic principles of GATT - non-discrimination and
trade liberalization.

Mr. BURESCH (Austria) stated that this session of the CONTRACTING PARTIES
had to deal with two major concerns, i.e. the developments in the application of
the most-favoured-nation clause and certain measures recently taken because of
balance-of-payments difficulties. As regards the latter, his country recognized
the existence of economic and monetary problems in the United States and in
particular its serious balance-of-payments situation which required urgent action.
He stressed that it was in the common interest of contracting parties that these
problems be solved as soon as possible. He had noted that the import surcharge
would be temporary and hoped that it would be removed within a short time. His
Government was concerned about the possible inhibitory effects which the surcharge
might have on policies aiming at greater liberalization of international trade.
The maintenance of the surcharge over a longer period might bring about a chain
reaction which would be most harmful. It was therefore important to stabilize
the situation. The CONTRACTING PARTIES should try to maintain the present degree
of liberalization and prevent any spread of measures with possible repercussions
on world trade.

He therefore hoped that the temporary import surcharge introduced recently
by Denmark would remain an exceptional case.

In connexion with the United States surcharge, effective action was requested
in the exchange rate field. In this context, he mentioned that Austria had already
made an important contribution in revaluing the Austrian Schilling in May this
year by about 5 per cent.

In making some comments as to the concerns put forward by the United States
and others on existing and prospective preferential and special trading arrangements,
he believed that regional integration, such as the formation of a free-trade area
as provided for in Article XXIV was not against the principle of freedom of trade.
Article XXIV rather spoke of the desirability of increasing freedom of trade by
the development, through voluntary agreements, of closer integration between the
economies of the countries parties to such agreements. This basic principle, already recognized when the GATT agreement had been drafted, was perhaps more valid than ever before. It was of particular relevance to smaller countries which wished to keep pace with the rapid growth of world economy and technology.

In this context, GATT had an important task to fulfil, viz to watch over the conformity of the various integrational organizations with the General Agreement. The guidelines in Article XXIV clearly stipulated that no barriers to the trade of other contracting parties with the territories of an integrational organization should be raised. GATT therefore guaranteed that no new trade obstacles would be introduced.

Regional integration should not have unfavourable repercussions on the trade exchange with other countries. The EFTA, to which Austria belonged as a member country, was an example that this aim could be fully met.

A recent EFTA study showed clearly that this free-trade area had not led to any trade-diverting effects as against the exports from the United States or any other area.

Concerning the examination proposed by the United States of existing and prospective preferential and special trading arrangements, he indicated that a study prepared by the secretariat could be the best way to begin. He hoped that the secretariat would have available the necessary data on existing arrangements and could make them subject to the study. As to prospective arrangements, one had to bear in mind that in some cases negotiations had not even begun. It seemed therefore difficult to include them already in the study. The envisaged base period of 1955-1970 was acceptable to his Government. He expressed only doubts as to whether this work could be accomplished within six months. He expected complications when the study tried to evaluate the trends and the implications of the trade flows. At that stage contracting parties concerned should have an opportunity to take part in the evaluation, in a working party or in some other form. His Government was therefore principally in agreement with the proposed study and fully recognized its importance. He believed, however, that the terms of reference should be carefully examined. Some more time for reflection might be advisable and the Council, at its next meeting, after having studied the matter more in detail, could perhaps in the light of the discussion finally decide on the mandate.

In commenting on Austria's future trade relations with the European Communities, he recalled that his country was one of those EFTA countries which, with regard to its status of neutrality, did not apply for full membership in the European Communities. His Government hoped to arrive at an arrangement aiming at the maintenance of its foreign trade with the EEC and its possible extension. Austria's foreign trade with the EEC covered at present about 50 per cent of its total foreign trade. This rather high percentage explained
the urgent and vital need for an arrangement with the Community, particularly now at a time in which most other European countries strove for an enlargement of this regional grouping.

It was therefore the intention of his Government to enter into negotiations with the EEC for an arrangement which would take care of the Austrian economic and trade policy needs. This arrangement would also have to be in conformity with the General Agreement and in particular with Article XXIV. It was not the intention of his Government to discriminate against the exports of third countries, nor would it introduce new tariff or non-tariff barriers against exports directed to the Austrian market.

Austria's intention was to arrive at an arrangement with the EEC within the limits of Article XXIV and as a Member of the General Agreement he considered that Austria was entitled to proceed in this direction. His Government was prepared to enter into consultations with any contracting party if unforeseen difficulties in trade unexpectedly arose.

Turning to the programme of trade expansion, he considered that the CONTRACTING PARTIES should proceed towards the aim of further liberalization of world trade and try to overcome present difficulties as soon as possible. For this purpose the proposals made by Sweden to establish a trade policy group and by Australia to set up a group of independent experts for dealing with agricultural problems, were acceptable to his Government as long as contracting parties felt that these groups could serve to overcome the present stalemate. In the meantime the various committees and groups should continue their preparatory work so as to enable contracting parties to begin real and effective negotiations when the time had come. He stressed, however, that proposals in real progress in carrying out the GATT trade expansion programme should in the first instance find support from the major trading countries which bore the main responsibility for further action. His Government was prepared to contribute to such action.

As for the trade negotiations among developing countries and the proposed draft decision, he recalled that his delegation had from the outset been prepared to accept the decision. In pursuing this issue contracting parties had to bear in mind its highly political implications as well as the economic needs of developing countries to set their negotiations into operation. He hoped that contracting parties would soon come to an agreement on an appropriate decision on this issue.

As to the "Group of Three", he recalled the valuable work this Group had accomplished and welcomed the decision to maintain the Group. He stressed, however, that the recommended measures in favour of the developing countries should be considered only as a beginning and further exploration in the trade policy field should take place in order to bring about real help to these countries. He emphasized that in this regard his Government was fully prepared to co-operate constructively.

The meeting adjourned at 12.30 p.m.