SUMMARY RECORD OF THE TENTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 13 November 1972, at 11 a.m.

Chairman: Mr. G. SMOQUINA (Italy)

Subject discussed: Review of International Economic Relations

Review of International Economic Relations

Mr. CUBILLOS (Chile) stated that substantial economic and political transformations were taking place, which because of their impact on commercial relationships and on international trade the GATT could not ignore. While there was a growing interdependence between trade and the development of the world economy, the relationship between the developed economies and the economies of developing countries was even more evident. The economic expansion of developed countries and the manner in which it took place had a determining influence on the economies of developing countries. The share of developed market economy countries in world trade had increased from 60 per cent in 1950 to 67 per cent in 1960 and 72 per cent in 1970, while at the same time the relative share of developing countries had gone from 32 per cent in 1950 to 21 per cent in 1960 and 17 per cent in 1970. These trends demonstrated the existence of an international division of labour, which discriminated against developing countries. Consequently the objective of the future multilateral trade negotiations should be to formulate a new policy resulting in a more just international division of labour. It was likely that the negotiations would largely benefit the countries which already had an important share in international trade. Developing countries could not benefit unless compensatory measures were taken both in the financial and trade fields. Projections for the year 2,000 of the GNP in different countries showed the importance of the gap between developed and developing countries. There was therefore, a clear need for a new international division of labour. The future negotiations should incorporate new and positive elements, such as the use of the taxation and credit systems in developed countries to open their markets to the products of developing countries, as well as agreements for the structural readjustment of industries. He hoped that the committee for the preparation of the negotiations could discuss such initiatives.
His delegation considered that the decision of the United States to work with the EEC to reform the international economic system, to seek an effective solution to the problems of developing countries and to take action for a more equitable and open international economic order, could be of great importance if these objectives were indeed respected. Also the statement made by the EEC that developing countries should obtain from the negotiations the advantages best suited to their development needs was encouraging. He concluded therefore, that there was agreement that one of the objectives of the negotiations would be that the economic problems of the developing countries would be taken into account. After their past experiences, developing countries now expected to participate in all stages and areas of the negotiations, including monetary negotiations in which they expected to obtain appropriate financial compensation in proportion to the benefits to be obtained by the principal countries. There should also be financial compensation for the developing countries for any trade loss resulting from the negotiations.

The negotiation should have among its objectives the adoption of policies and concrete measures to establish a more just international division of labour; the establishment of new international rules for the trade of developing countries and the provision of additional benefits to developing countries through an improvement of the conditions of access to the markets of developed countries, so as to obtain a substantial increase in their export receipts, a major diversification of their trade and a significant increase of their share in world trade. If these objectives could not be accepted at the present session the determination of the objectives should be left to the committee for the preparation of the negotiations. The terms of reference of this committee should include the establishment of special techniques and modalities for developing countries and the achievement of maximum cooperation of the GATT and UNCTAD secretariats with developing countries. The rôle to be played in the negotiations by the Secretary-General of UNCTAD should also be defined bearing in mind UNCTAD resolution 82(III). In these negotiations one could not leave aside the UNCTAD which had had such an important rôle in the formulation of new principles for international trade and development.

In conclusion he referred to the difficult situation of his country as a result of international boycott and economic blockade. The establishment of a new economic order should include rules preventing corporations from violating basic principles of conduct and international ethics.

Mr. DENMAN (United Kingdom) considered that there were some solid reasons for cautious optimism as to the success of the multilateral negotiations due to be launched in 1973. In the first place the political will was there, as reflected by the extremely positive statements from the United States, from Japan and from the enlarged Community at the recent Conference on Heads of State or Government. He drew in
particular attention to the importance attached to the preparation of a global approach by 1 July 1973 and the hope that the negotiations would be concluded by the end of 1975. There was also the thorough preparatory work and the important documentation prepared by the different Committees. The atmosphere both on trade and monetary issues was a good deal less pessimistic than it was a year ago. He considered it fortunate that through the medium of a series of parity changes the dialogue had been maintained between the main trading entities and recalled the importance of the link between monetary and trade problems.

As to the possible form and content of the negotiations it seemed to him that the negotiations should attach more importance to non-tariff barriers and perhaps less to tariffs than had been the case before. He thought in this context that the concept of common commitment to common rules and procedures, as had been used in the Kennedy Round in respect of anti-dumping, was a valuable one. In so far as tariffs were concerned, he considered the envisaged ultimate abolition of industrial tariffs to be positive and forward-looking. But while in the long-term such an aim could well be acceptable, he wondered whether in terms of a realizable aim for negotiations which were expected to finish by the end of 1975 the setting of such an aim was best served by objectives quite so ambitious. The next negotiations would have to have a significant agricultural content and they would need to have a result which would yield some solid advantages for the developing countries. He hoped that the twenty developing countries, not yet members of the GATT, who had taken part in the preparations so far, would continue to be associated with the on-going work.

Finally, he referred to the link between monetary and trade problems, and expressed the expectation that some of the rules and practices in dealing with the balance of payments adjustment process would have to be reconsidered in parallel with what was being talked about in the monetary field.

Mr. HJZEN (European Communities), replying to two questions put to the Community observed first that some remarks had been made concerning the work of the Working Party on Accessions under Article XXIV:5(a). The Community for its part regretted that full agreement had not been reached on questions of documentation and methodology. His views on that subject had not been presented to the Working Party on Accessions, which would shortly be resuming its work and would have before it then a communication from the Communities. The Community's intention was to open the renegotiations foreseen under Article XXIV:6 as soon as the procedures for ratification of the treaty of accession had been completed. Thereafter all the participants would need some time in order to study the relevant technical documentation before embarking on the phase of actual negotiations. The Community proposed that 1 March 1973 should be the starting date for that phase and hoped that it would proceed as rapidly as possible; a period of four to five months should be sufficient. During that period, the assistance of the Working Party on Accessions might be useful for the examination of any questions that might arise in the course of the renegotiations and which the participants might wish to bring before that body.
Certain criticisms had been made concerning individual aspects of the Community's policy; while the Community did not wish to open a discussion on the so-called "erosion" of the applicability of the most-favoured-nation clause, its abstention did not in any way imply tacit acceptance of the views put forward. The position of the Community was well known and had been stated on a number of occasions. Furthermore, the statistical data which the secretariat had recently assembled on the question would allow the exact scope of the problem to be better appreciated and given its right proportions.

Where international economic relations were concerned, the keynote of the present session was a general conviction that the time had come to move in a resolute and concrete manner toward achievement of new progress, in accordance with the objectives and within the framework of the General Agreement. Over the past year, the Community for its part had unequivocally and on several occasions evidenced its political will to take on its responsibilities and had made unceasing efforts in that sense. In December 1971, in a declaration of intention adopted by the Council, it had manifested its position in regard to the important changes that had occurred in international economic relations. In February 1972, the guidelines of that declaration of intention had been confirmed in the joint declaration adopted by the Community and the United States. The same concern also underlay the joint declaration by the United States and Japan. In giving wide support to the proposed objective, which was to initiate new and far-reaching multilateral negotiations in 1973, in the framework of GATT, the developed countries had responded to and participated in that idea. And, at the meeting of Heads of State and Government which had recently taken place in Paris, the enlarged Community had once more expressed and defined the same will to co-operate and negotiate; it had reaffirmed that it would contribute to ensure further opening and progress in the evolution of international economic relations, and had in particular underlined the need to seek lasting solutions conducive to expansion in a climate of stability. That principle would guide the Community in the forthcoming multilateral negotiations which it hoped would be initiated in 1973 and concluded in 1975. In that context, the principle would have to be reflected in adequate concrete provisions to ensure that its achievement concerned and comprised all countries without exception. The institutions of the Community had been instructed to define by 1 July 1973 an overall concept for action by the Community in the forthcoming negotiations. The Community hoped that its partners would also obtain all the necessary authority to be able to carry out their own particular rôle to the full. In particular, it was essential that the principles of mutual advantage and reciprocity find their full significance in the negotiations, namely the achievement of results in which each country without exception could find and receive its fair share of benefits and advantages, whether in the light of its possibilities and responsibilities or in the light of its development needs.
With respect more particularly to the developing countries, if progress was to be feasible and if the way was to be opened for the broadest possible participation by those countries in the negotiations, it should be recognized at the present session that the specific objectives selected to meet the interests and needs of those countries would fully form a integral part of the overall objectives for the negotiations. It should therefore also be recognized that attainment of those specific objectives was a condition indissociable from the results of the negotiations. In the immediate future, it would first be necessary to ensure further progress in the preparation of the negotiations and bring them toward the stage of the options inherent in the objective of initiating the negotiations in 1973. To that end, guidelines would have to be given to the Committees that were to carry out the preparatory work. In the view of the Community, the CONTRACTING PARTIES could and should go further at their current session and arrive at a consensus in which they would confirm their will to achieve the conditions, having regard to all the interests concerned, for undertaking new and far-reaching multilateral negotiations in 1973 under the auspices of the GATT. For the Community, that meant that the governing principle for defining concrete and specific objectives for the negotiations would be to ensure that those objectives would guarantee in a way that all countries without exception would be able to derive their fair share of the benefits and advantages resulting from the negotiations. It would be difficult to define those objectives, because all aspects of the fundamental structural changes that had taken place in international trading relations as a whole would have to be taken into account in their full complexity and in an effort of projection.

The Community wondered whether the proposal for taking the elimination of tariffs on industrial products in the developed countries as an initial approach and basis for discussion really corresponded to the possibilities of the developed countries, and whether it was the most appropriate for allowing all the interests concerned to be taken into account; it was one approach among others that would have to be examined, and the Community had not taken any position with respect to it. The Community nevertheless recognized the rallying and inventive power that adoption of an ambitious objective could have. If that objective indeed fell within the negotiating possibilities of its partners, the Community was ready to consider it; the necessary measures would have to be taken, nevertheless, to ensure that it was embodied in a context of equilibrium and stability in the development of trade.
The establishment of a preparatory committee for the negotiations would meet a need for synthesis and overall perspective that would emerge spontaneously in due course in the preparatory work in the various committees. Such a committee should, in particular, make it possible for all the partners concerned to appreciate, in all their aspects and all their inter-reactions, the essential facts relevant to progress in the overall preparation of the negotiations so that, in the various capital cities, the facts of general interest could regularly be confronted with those of national interest so that the essential points of concordance could be identified. The Director-General seemed to be the most suitable person to be Chairman of such a committee and to ensure, while contributing thereto, that it generated the necessary vigour, realism and will to guide the preparation of the negotiations once the stage had been reached at which the concept of preparation became increasingly merged with that of option.

The Community would contribute to the full extent of its possibilities to furthering the preparatory work in the committees concerned, so that the aim of initiating the negotiations in 1973 could be achieved in GATT, at the appropriate political level, not later than in early autumn 1973. To that end, the CONTRACTING PARTIES might decide now to meet at ministerial level in September 1973 to initiate the multilateral negotiations, in the hope that at that date the preparatory work would be sufficiently advanced and the countries would have the necessary authority. The Community, for its part, intended to do its utmost to ensure that the conditions were met so that the largest possible number of countries could participate in the common decision to move on to concrete action.

Mr. GRANDY (Canada) pointed out that the prospects for comprehensive trade negotiations were much improved over the situation that existed at the time of the last session. A number of encouraging developments had taken place which clearly indicated that the major trading nations were mobilizing the necessary political will to bring about a substantial liberalization of world trade.

He recalled that his Government had associated itself with the undertakings of the United States, the EEC and Japan. On that occasion the Minister of Industry, Trade and Commerce had stated that the implementation of these undertakings should help to restore the momentum towards freer world trade and reduce pressures for increased protectionism in major world markets. It was important that the CONTRACTING PARTIES take advantage of the opportunities opened by these developments to achieve a major and successful negotiation. The negotiations should cover agricultural as well as industrial products, and non-tariff measures as well as tariffs. Negotiations in the agricultural sector should aim at dealing with the principal problems in a way which would significantly and progressively liberalize and increase trade, while recognizing the need to maintain reasonable income levels for farmers. In the industrial sector, as tariffs move down it was essential that non-tariff measures be brought under much more effective scrutiny and international discipline; many should be eliminated completely. Another important
objective of the negotiations should be the development of an integrated system of safeguards which would include two elements: first, an escape clause permitting special temporary protection under clearly defined conditions to give economically sensitive industries sufficient time to adjust and to avoid serious disruption of production and employment; and second, provisions designed to prevent the impairment and nullification of access generally. As the established barriers to trade were reduced, it was important that producers had the assurance of greater certainty about the conditions of international trade.

His delegation had been encouraged by the degree of interest in the coming negotiations which had been expressed by the developing countries, and supported the view that the negotiations should yield significantly improved access to markets for the products of participating developing countries. He welcomed the continuing participation by developing countries in the forthcoming preparatory work, and expressed the hope that it would be possible for many of them to take an active part in the negotiations themselves. Such participation by developing countries would go a long way to ensuring that their particular trade interests and problems would be reflected in the character, scope and outcome of the negotiations.

The Canadian delegation supported the proposal for the early establishment of a Preparatory Committee which would be composed of senior trade policy officials from capitals who would bring together the various possibilities and elements which had been identified by the three Committees. The Preparatory Committee's work would help to establish the basis for a ministerial meeting of the CONTRACTING PARTIES, to be held preferably in September, which could be expected to give formal direction for the launching of the negotiations.

Another important matter to be dealt with by the CONTRACTING PARTIES over the next few months concerned the accession of the United Kingdom, Denmark and Ireland to the European Community. This would have far-reaching effects on production and trading patterns, involving a significant deterioration in the conditions of access for Canadian exports. His delegation attached importance to the early and satisfactory completion of the examination of the accession agreements under Article XXIV:5(a) which should take into account all customs duties and all charges levied on imports. He also looked forward to the negotiations under Article XXIV:6, and welcomed the proposed time-table for these negotiations.

Mr. SAHLGREN (Finland), after referring to recent changes in traditional trade policy constellations, said his Government believed that in the present situation comprehensive multilateral negotiations would best serve the further expansion of world trade. It favoured the proposal of convening a ministerial meeting to decide on concrete guidelines for the negotiations which should start in 1973.

His Government supported the establishment of a preparatory committee, preferably at this session, to co-ordinate and to give new impetus to the preparatory work already achieved. His Government was aware of the need to pay special attention to the
interests and aspirations of developing countries. He therefore stressed the import­ance that adequate arrangements be made to ensure that developing countries, whether members of GATT or not, were given the opportunity to participate fully and effectively. He recognized that every effort should be made to increase the export earnings of developing countries and that this matter be fully acknowledged in the preparatory work.

He noted the importance of the increasing interest shown by some socialist countries in the activities of the GATT and the significant progress in East-West economic and trade relations. Widespread international co-operation was both necessary and profitable for all countries.

His Government was prepared to play its full part in the negotiations and with a positive attitude.

Mr. ALZAMORA TRAVERSO (Peru) expressed concern and disappointment at the lack of response by developed countries to the basic requests of the developing countries. He considered that the statements by developed countries that the interests of developing countries would be taken into account, or deserved full attention was not sufficient. The question was not only for developing countries to avoid damage from the negotiations or to obtain residual benefits from concessions exchanged by others. It was a question of revision and improvement of the whole of international economic relations, so as to bring about a solution to the basic problem of the seriously declining share of developing countries in world trade with its consequential loss in capital and increase in foreign debt. In his view, this is what was at stake in the future negotiations which offered an exceptional opportunity to re-structure world trade. The new Round, rather than being a traditional negotiation should constitute a true world conference on trade.

One should take into account that progress had brought down the political walls which divided the commercial world; that new currents of trade had developed where none existed before; that new commercial blocs had emerged; that the monetary structure and payments systems were being challenged and that contracting and non-contracting parties were acting together. Thus, the objectives of the negotiations should be the re-structur­ing of world trade with full and active participation by developing and centrally-planned economy countries. The negotiations should be capable of solving the problem of the share of world trade of the developing countries and of re-establishing the equilibrium in the trade and payments balances of developed countries. It was therefore, important that in defining the objectives of the negotiations, one should include the adoption of effective measures to ensure a growing participation of developing countries in world trade, as a result of a new international division of labour. To obtain these results the principles adopted by developing countries in UNCTAD Resolution 32(III) would have to form the basis for the
negotiations. Part IV of the General Agreement should also be strengthened and should clearly establish the principle of differential, non-reciprocal and preferential treatment in favour of developing countries. The terms of reference of the Committee for the preparation of the negotiations should take into account the objectives mentioned above. Lack of responsiveness on the part of developed countries to the needs of the developing world would put into jeopardy the stability and existence of the present trade structure. The 1973 trade negotiations to be justified should focus on the potentials of the economies of developing countries in an increasingly interdependent world with a view to achieving a new and more equitable international economic order.

The meeting adjourned at 12.30 hours.