GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONTRACTING PARTIES
Thirty-Third Session

SUMMARY RECORD OF THE FIRST MEETING

Held in the Palais des Nations, Geneva,
on Tuesday, 29 November 1977, at 10.30 a.m.

Chairman: Mr. G. ALVARES MACIEL (Brazil)

Subjects discussed:
1. Adoption of agenda
2. Order of business
3. Presentation of reports
5. Activities of GATT

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Opening address by the Chairman

The CHAIRMAN said that since the last annual session of the CONTRACTING PARTIES there had been two major developments in international trade policy. The hesitant recovery from world recession had activated the forces of protectionism in a number of countries and had led to a proliferation of trade restrictive measures. On the other hand, the long-awaited speeding up of the Tokyo Round of multilateral trade negotiations had started last summer, as certain of the principal actors in these negotiations had found a basis for compromise on some major issues. All participants therefore, should now play their part in maintaining the momentum of the negotiations. He mentioned that the groups on agriculture and non-tariff measures had agreed on a time-table for submitting bilateral requests and offers, and that the first target date under the time-table, for the submission of requests, had been met at the beginning of November. Furthermore, negotiating texts on possible multilateral codes and on the improvement of the international framework for trade should soon be on the table. Important progress had also been made in working out the parameters of a generally acceptable plan for the reduction of tariffs, and he expected that similar progress would be forthcoming in other areas of the negotiations.

1The full text of the Chairman's address is contained in press release GATT/1204.
He stated that in spite of the difficulties international trade had grown by about 11 per cent in volume in 1976, following its 4 per cent setback of the year before, and that the 1977 growth figure was expected to be 6 per cent. In terms of value the 1977 annual total had amounted to more than $1,000 billion, which was a landmark after GATT's thirty years of existence. However, he felt that the detailed picture was far less encouraging. He noted that the recovery from recession in the industrialized countries had been slow; in many countries there existed high inflation and unemployment and a number of industries were suffering from structural and cyclical problems. Moreover, the great majority of the developing countries had experienced a sharp deterioration of their growth rates, the levels of unemployment were high and average incomes and living standards very low. He noted that the initial economic recovery in the industrialized areas had prompted some recovery in developing country exports. Furthermore, imports from the developed countries by the oil-exporting developing countries continued to rise strongly. On the other hand, imports by other developing countries having balance-of-payments difficulties, remained stagnant. This situation provided a demonstration of the interdependence between countries. Some developing countries, unconstrained by balance-of-payments considerations, had offered a market that had been an important factor in sustaining production and employment in the industrialized world. If therefore, other developing countries which, with limited and unstable export earnings and heavy debts, had no means to increase their imports, could be helped, they too would be able to assist, through purchases, in the economic recovery in the industrialized areas.

He observed that the surge of protectionism concentrated particularly on textiles and clothing, steel, transport equipment and consumer electronics. In large part, the pressures for protection had been resisted, but there had been a clear weakening of resolve in recent months. In fact, many of the most important recent restrictions had been introduced by major industrialized countries and their effect had been strongly felt by developing countries. While he did not underestimate the genuine difficulties of threatened industries he believed that protecting these industries from foreign competition was against national, international and also their own longer-term interests, as it would make inefficient use of the national resources. In addition, protectionist actions would ultimately lead to the loss of markets in countries whose export industries would be disrupted as a consequence of such actions. He pointed out that the impact of protectionist actions was hardest on developing countries which were building up exports of manufactures for which they had competitive advantage. It was no coincidence that the products for which they had such advantage had been the subject of most restrictions in the developing countries. He stressed that the impact of restrictions on the exporting developed country could be entirely disproportionate to the immediate problems of the restricting country. In his view a country imposing restrictions contributed to undermining the present world trading system by strengthening fears that GATT rules were too weak to defend the legitimate
interests of trading partners. The CONTRACTING PARTIES should therefore be fully aware of the protectionist threat and should resolve to meet it effectively. At the national level, the developed countries should realistically encourage industries to adjust to changes in international competition and, at the international level, contracting parties should seize the opportunities available and use the GATT mechanisms to find solutions to the problem at both levels. He mentioned in this connexion the sessions of the CONTRACTING PARTIES, the Council and the Consultative Group of Eighteen, but potentially the most valuable of all, in the long run, would be the opportunities offered by the multilateral trade negotiations. Thus, to a considerable extent, the future of international trade and of trade relations between countries depended on the success of the Tokyo Round. For the negotiations to be successful it was necessary to provide new opportunities for all countries to expand their trade, by reducing tariff and non-tariff restrictions which now hampered the trade of industrial and agricultural products, and by making additional trade benefits available to developing countries. The multilateral trade negotiations should also create conditions permitting developing countries to participate effectively in the activities and deliberations of GATT and they should result in new and improved trade rules. These improvements should emerge in the shape of codes now under negotiation for non-tariff measures and of new provisions currently under discussion in the Framework Group. Such improvements should provide for a more balanced trading relationship between developed and developing countries.

1. Adoption of agenda

The CHAIRMAN referred to the Provisional Agenda (L/4557) and said that, as in recent years, there were only two major items on the agenda: the Report of the Council, in which the Council reported on the many specific activities which had taken place since the last session; and the second item - Activities of GATT - under which contracting parties had the opportunity to review major developments in the international economic situation and of international policies. Delegations had furthermore an opportunity to comment on the Report of the Committee on Trade and Development.

The agenda proposed in document L/4557 was adopted.

2. Order of business

The CHAIRMAN drew attention to the proposed Plan of Plenary Meetings circulated in document W.33/1.

The CONTRACTING PARTIES approved the Plan of Plenary Meetings as proposed in document W.33/1.

The CONTRACTING PARTIES furthermore approved the Chairman's proposal that, in accordance with Rule 22 of the Rules of Procedure, the time allowed to each speaker be limited to ten minutes.
3. Presentation of reports

Mr. DE GEER (Sweden), Chairman of the Council, in introducing the Report of the Council (L/4594), stated that the Council had held six meetings since the last session of the CONTRACTING PARTIES and that it had considered more than seventy different subjects. He stated that some of the items dealt with were of great significance, not only for the contracting parties concerned, but also for the international trading system as a whole and for the structure of the General Agreement. In certain cases the Council had been able to act expeditiously and to the general satisfaction of contracting parties. In other cases of a more complex nature the Council's approval had been more circumspect. Some of the issues discussed were still pending and a great deal of work and careful consultation was still needed.

Mr. HAMZA (Egypt), Chairman of the Committee on Trade and Development presented the report of the Committee (L/4597). He stated that during the Committee's review of the implementation of Part IV many delegations had expressed their deep concern about the growing use of protectionist measures in a number of developed countries. While noting that some measures of trade liberalization had been introduced, delegations of developing countries were greatly concerned over the increasing application of restrictive measures against their export products. They emphasized that these measures had a serious impact on the economies of developing countries, but they also had the effect of transferring problems from the less efficient sectors to sectors with greater growth potential in the economies of the developed countries. In this respect they had referred to the role adjustment assistance measures could play in developed countries in encouraging industries to adjust to changes in their international competitive situation. He said that many delegations of developing countries had been of the opinion that the Committee should consider the proliferation of protectionism, as it affected developing countries trade, at its next meeting. The secretariat should provide a general picture of recent trends in the trade of developing countries, including relevant policy measures, taking into account the problems identified by the Committee.

He stated that the Committee had also considered certain aspects of the notification procedures used in connexion with the implementation of Part IV. It had been pointed out that the notification of trade restrictive measures had been less thorough than notifications of positive measures. There had been a widely shared view that contracting parties should make a particular effort to provide in future notifications as full and comprehensive information as possible. The Committee had agreed to keep this matter under consideration. A number of developing countries had also expressed the belief that a necessary prerequisite for the more effective implementation of Part IV was its acceptability by all contracting parties.
He said that in discussions on the multilateral trade negotiations, delegations of developing countries had referred to the importance of the adoption of meaningful measures for special and differentiated treatment, of special and priority treatment for tropical products and of the desirability of ensuring that developing countries were given the opportunity to participate more actively in informal discussions and consultations taking place on the basic issues relevant to further progress in the negotiations. Members of the Committee had expressed their appreciation for the technical assistance provided by the secretariat in the framework of the MTN.

He pointed out that the Committee had taken note of the Fourth annual report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries. The Committee had welcomed the interest shown by a number of developing countries in accession to or exploring possibilities for accession to this Protocol. He said that in connexion with the further round of trade negotiations at the appropriate time the Committee of Participating Countries had asked the secretariat to initiate the collection of technical data and that about fifty developing countries were being covered by this activity. Experience so far had confirmed an earlier belief that the operation of the Protocol had been encouraging and that a further enlargement of the arrangement would make a substantial contribution to broadening the area of trade co-operation among developing countries.

4. Report of the Council (L/4594)

The CHAIRMAN referred to the Report of the Council of Representatives on its work since the thirty-second session of the CONTRACTING PARTIES. The following comments were made in connexion with the items dealt with in the report:

Item 1 - Anti-dumping practices

Mr. SAWAKI (Japan) stressed that anti-dumping measures should not constitute an unjustifiable obstacle to international trade. He expressed great concern over the possibility that the recent surge of protectionism would exert pressure to employ anti-dumping measures in an arbitrary manner in the interest of protectionism. He emphasized that the implementation of anti-dumping laws and regulations should be in conformity with the letter and spirit of the Anti-Dumping Code and not constitute an unjustified impediment to international trade. From this point of view his delegation expressed its deep concern about the ongoing anti-dumping procedures in the United States against imported steel, in particular carbon steel plate. His authorities maintained a close watch on these developments and would deal with them in a co-operative spirit.
Mr. DUGIMONT (European Communities) recalled that his delegation had repeatedly expressed concern about the anti-dumping policies of certain contracting parties. This concern had recently been aggravated by measures taken and the investigations opened in the iron and steel sector. In his view the anti-dumping policy did not constitute an adequate answer to the world-wide crisis of the steel industry. He considered that non-concerted actions by major trading partners were not likely to provide a basis for a generally acceptable solution. He stated that the readiness of signatories of the Anti-Dumping Code to apply the Code correctly and their endeavours to solve the problem of different interpretations could not fail to have repercussions on the negotiations under way for new codes in other fields.

Mr. BARRACLOUGH (United States) said that an extensive discussion on this matter had taken place at the meeting of the Anti-Dumping Committee during which his delegation had stated that the United States considered itself in substantial compliance with the letter and spirit of the Code and conducted the investigations in that manner. Any inconsistencies which were believed to exist could be reviewed in the Anti-Dumping Committee and if necessary made subject to a negotiation.

Item 2 - Balance-of-payments import restrictions

(c) Consultation with Israel

Mr. HARAN (Israel) recalled his statement in the Council that his Government had introduced on 28 October far-reaching measures of economic policy. These included the removal of most foreign exchange restrictions relating to foreign trade, the abolition of the system of refund of indirect taxes on exports, the abolition of the system of temporary surcharges on imports, the continuation of the programme of import liberalization, a reduction in the scope of government imports and a large-scale reduction of import duties. He then announced that in continuation of this programme of import liberalization his Government had issued a free import order which covered a very large part of total imports. Particulars of this order would soon be provided to the GATT. He said that this action by his Government was an act of faith. In spite of protectionist tendencies his Government believed that the problems could only be solved by liberalization measures. He believed that these measures were an appropriate contribution by Israel to the success of the MTN. He expressed the hope that Israel's trading partners would not only take due account of the positive policy measures taken, but that they would also refrain from taking any measures which could jeopardize the success of this programme.
Item 5(c) - Chile - EEC refunds on exports of malted barley

Mr. TRUCCO (Chile) said that the subject of EEC refunds on exports of malted barley should be included in the agenda of the next meeting of the Council, unless a satisfactory solution was found on a bilateral basis before that time.

Mr. DUGIMONT (European Communities) said that bilateral negotiations had started with Chile on this matter.

Item 5(e) - Tax legislation

Mr. DUGIMONT (European Communities) recalled his delegation's concern over the deadlock in which the Council had been for a year on this matter. He considered that this deadlock affected the procedures for the settlement of disputes. He recalled that his delegation had made a proposal at the last meeting of the Council, which, he hoped, would make it possible to find a solution for this problem.

Mr. JAY (Canada) recalled that the Panel on United States tax legislation had concluded that the United States DISC system should be regarded as an export subsidy and had effects that were not in accordance with the United States obligations under Article XVI:4. As Canada's trade continued to be harmed by the subsidy elements in the programme his delegation had repeatedly called for an early termination of the programme. He urged that the United States should take action to abolish the DISC in the near future.

Item 6 - Export inflation insurance schemes

Mr. JAY (Canada) expressed regret that the Working Party which had examined the compatibility of export inflation insurance schemes with the GATT was unable to reach conclusions which could give guidance to contracting parties on the compatibility of such schemes with the General Agreement. The countries applying such schemes considered their schemes to be compatible with the GATT and did not have the intention of phasing them out. This was highly unsatisfactory for countries whose traders did not have recourse to such schemes. It was therefore necessary to obtain a finding as to whether such schemes were compatible with the GATT. It was particularly important that GATT dispute settlement mechanisms were effective in cases where an important trade policy issue required interpretation. He recalled that his delegation at the last Council meeting had proposed the creation of a panel to examine the compatibility of these schemes with the GATT. Canada was ready to discuss the terms of reference for such a panel with the parties directly concerned before the Council reverted to this item at its next meeting.
Mr. BARRACLOUGH (United States) said that his delegation was disappointed with the results of the working party. The United States continued to believe that export inflation insurance schemes distorted trade and constituted a subsidy. There was a great risk that if the problem could not be dealt with under the GATT other countries might have to consider what action to take. His delegation had therefore supported the Canadian proposal.

Item 7 - Customs unions and free-trade areas; regional agreements

(b) ASEAN Agreement

Mr. SAWAKI (Japan), referring to customs unions and free-trade areas and regional agreements in general, recalled the basic view of his delegation that economic and regional integration agreements should serve to expand international trade and that the trade interests of third countries should be preserved.

With regard to the ASEAN Agreement he expressed the view that, in accordance with the letter and spirit of the provisions of Part IV, the agreement aimed at obtaining regional trade expansion among developing countries. He expressed appreciation for the efforts of the developing countries concerned. He stressed his expectation that regional co-operation agreements such as the ASEAN Agreement should contribute to the economic development of the region, bearing in mind the general views he had just expressed.

Item 7(e) - Agreements concluded with the European Communities

Mr. PREM KUMAR (India) said that his delegation followed with interest the commercial aspects of the development co-operation policies of the European Community and welcomed the innovative concepts incorporated in these Co-operation Agreements. The examination of these agreements with respect to their conformity with the provisions of the General Agreement had provided greater precision in defining the issues involved and had shown that these agreements did not in any way affect the rights of contracting parties under the GATT. This was relevant in the context of the apprehensions of possible distortions of trade in the case of non-signatory developing countries whose trading opportunities might be adversely affected. He pointed out that what was of importance in this regard was not so much the legal implications, but rather the consideration by contracting parties of ways and means of ensuring that some of the new principles and objectives embodied in these agreements would find a wider and deeper application.
Item 9(c) - Indonesia - Renegotiation of Schedule

The CHAIRMAN drew attention to the Council's recommendation that the draft decision reproduced in Annex I of the Report of the Council should be adopted by the CONTRACTING PARTIES.

The decision was adopted by 55 votes in favour and none against.

Item 9(d) - Pakistan - Renegotiation of Schedule

The CHAIRMAN drew attention to the Council's recommendation that the draft decision reproduced in Annex II of the Report of the Council should be adopted by the CONTRACTING PARTIES.

The decision was adopted by 55 votes in favour and none against.

Item 12(a) - Provisional accession of the Philippines

The CHAIRMAN drew attention to the Council's recommendation that the draft decision reproduced in Annex III of the Report of the Council extending the participation of the Philippines in the work of the CONTRACTING PARTIES should be adopted.

The CONTRACTING PARTIES adopted the Decision.

Item 12(b) - Provisional accession of Tunisia

The CHAIRMAN drew attention to the Council's recommendation that the draft decision reproduced in Annex IV, extending the participation of Tunisia in the work of the CONTRACTING PARTIES should be adopted.

The CONTRACTING PARTIES adopted the Decision.

Item 14 - Poland - Consultations on trade

Mr. DANIEL (Poland) said that ten years had passed since Poland acceded to the GATT. However, GATT rules were not yet fully applied to Poland since a number of contracting parties still applied discriminatory quantitative restrictions on imports from Poland. His delegation appealed for rapid elimination of these discriminatory restrictions by the contracting parties concerned which would strengthen the confidence in GATT rules.
Item 15 - Romania - Consultations on trade

Mr. PETRESCOU (Romania) recalled that the Working Party on Trade with Romania had considered it useful that before the next consultation interested parties should seek ways and means to speed up solution of the problems raised at the consultation. He invited the contracting parties concerned to intensify their action in conformity with this recommendation with a view to recuperating the delay in the realization of the objective of eliminating the restrictions completely.

Item 16 - Application of Article XXXV to Japan

Mr. SAWAKI (Japan) said that three contracting parties were still applying the provisions of Article XXXV to Japan. He urged that these contracting parties should disinvoke Article XXXV in respect of his country as early as possible.

Item 17 - International Trade Centre

Mr. PREM KUMAR (India) said that his authorities greatly appreciated the activities of the International Trade Centre in the field of educating and assisting developing countries in export promotion. He also expressed gratitude to those countries which had generously contributed to the trust fund of the ITC for the expansion of the ITC's activities. He informed the CONTRACTING PARTIES that his Government had made available to the ITC a grant of $50,000 with the aim of encouraging technical and economic co-operation among developing countries.

Mr. HAMZA (Egypt) expressed his delegation's appreciation for the work of the International Trade Centre in the interests of developing countries.

Item 18 - Arrangement Regarding International Trade in Textiles

Mr. LH0 (Korea) recalled that at the last session his delegation had pointed out that the relevant provisions of the Multifibre Arrangement had often been used as a means of imposing import barriers on textiles exported by developing countries. In spite of the concerns expressed by all developing countries such measures had further proliferated, particularly since the last session. He pointed out that most developing countries exporters of textiles were now being subjected to more rigid restrictions by developed importing countries. He deplored, in particular, that a large trading bloc even appeared to dictate its own terms in the bilateral negotiations with the developing countries. The present state of textiles trade was crucial, which could have a bearing on trade in other commodity sectors. The Textiles Committee at its next meeting should seriously take up the question of international trade in textiles and work out a scheme to secure the interests of developing exporting countries and to guarantee orderly trade in textiles in the coming years.
Mr. SAWAKI (Japan) said that his delegation appreciated the role which the Multifibre Arrangement had played in achieving a progressive liberalization of world trade in textiles, thereby ensuring an orderly development of trade and avoiding market disruption. He considered it necessary that the existing arrangement should be extended in its present form. At the same time his delegation could support the idea that flexibility in implementation and in the operation of the Arrangement should be sought within a reasonable scope, acceptable to the participating countries.

Mr. PREM KUMAR (India) shared the concern expressed on the future of the textiles trade. He said that the textiles industry was for many developing countries the basis for industrial development. It was in this sector that the comparative advantage had gradually shifted in favour of developing countries and it was precisely in this area that exports of developing countries were facing maximum restraints. Of even greater concern was the fact that a new régime and even a separate set of rules of trade was being sought to be evolved for this sector. The developing countries had acquiesced in the evolution of arrangements for the orderly growth of textiles in the hope that these arrangements would provide additional incomes for development. It appeared, however, that in this sector the economic law of comparative advantage was being artificially suppressed. He considered that in this area it was sought to move away not only from the framework of the Arrangement but also from its letter and spirit and its objectives. He mentioned particularly the concept of import penetration which was being introduced regardless of whether there was a threat of market injury or not. He warned of the danger of this concept and of the temptation to extend it to other sectors of trade. He mentioned that some products were considered as being politically sensitive by the importing countries so that imports were to be frozen and he stressed that only imports from developing countries were frozen. He could see little evidence that adjustment assistance was being provided to enable the factors of production to move out of the areas which had become uncompetitive, and there was a tendency to yield to pressures to protect those industries. He considered this development highly unfavourable for the trading system generally.

Mr. HAMZA (Egypt) shared the concern regarding the uncertainty and the future of the textiles trade.

Mr. TSAO (United Kingdom), speaking for Hong Kong, also expressed concern about developments in trade policy in the textiles field. He referred to the current negotiations between a large number of textile-exporting countries and territories, including Hong Kong, and a large importing entity. During these negotiations demands had been made of the weaker trading partners which, if acceded to, would represent a complete derogation from the Multifibre Arrangement. On the other hand, if the demands were not accepted, exporters would be confronted with even worse trade measures. The outcome of these negotiations would have far-reaching consequences for international trade as the willingness of the large trading countries to honour their international obligations might be called into question.
Mr. HIGUERAS (Peru) shared the concerns expressed by previous speakers. He stated that Peru's textiles industry had developed favourably and was now of great importance for foreign trade. His country had therefore recently decided to accept the Arrangement Regarding International Trade in Textiles. He trusted that the Arrangement would be extended with such amendments as were justified by the present circumstances.

Mr. BANTHEL-ROSA (Brazil) also shared the concern expressed by other speakers with regard to the situation in trade in textiles, and with regard to the implications of this situation for international trade as a whole.

Item 20 - Status of Protocols

The CHAIRMAN drew attention to the Council's recommendation that the draft decision reproduced in Annex V of the Report of the Council, extending the closing date for the acceptance of the Protocol Introducing Part IV of the General Agreement until the end of the thirty-fourth session, should be adopted by the CONTRACTING PARTIES.

The CONTRACTING PARTIES adopted the decision.

Item 21 - Administrative and Financial Questions

The CHAIRMAN drew attention to the recommendation of the Council that the two reports of the Committee on Budget, Finance and Administration (L/4510, L/4583) should be adopted by the CONTRACTING PARTIES.

The CONTRACTING PARTIES adopted the two reports of the Committee on Budget, Finance and Administration (L/4510, L/4583), including the recommendations contained therein and the Resolution on the expenditure of the CONTRACTING PARTIES in 1978 and the ways and means to meet such expenditure.

The CONTRACTING PARTIES adopted the Report of the Council (L/4594).

5. Activities of GATT

Mr. HAMZA (Egypt), in taking stock of developments during the thirty years of GATT's history, said that, while the GATT had contributed to the liberalization and ever-expanding growth of international trade, the benefits of this liberalization had gone to the developed countries at the expense of the developing countries. For the developing countries the objectives of GATT of raised standards of living, full employment and expanding production and the exports of goods remained distant dreams. He even felt that the spectre was moving backward. The CONTRACTING PARTIES were meeting in a crisis situation since the forces of protectionism were
growing and gaining ground world-wide in various forms, such as in the shape of calls for organized free trade, or in the form of orderly marketing arrangements or as clear trade restrictive measures. He stressed that the main brunt of protectionist measures was felt by developing countries. The attempt to preserve the high standard of living in the developed countries was resulting in increased poverty in developing countries. Unless the international community stood up and faced the danger of protectionism there were not only prospects of the disintegration of the system of world trade established thirty years ago, but the whole fabric of international economic relations would be jeopardized. He pointed out that protectionist measures were most evident in the sectors, such as textiles, in which developing countries had some prospects of increasing their import earnings. He recalled that under the Arrangement Regarding International Trade in Textiles the developing countries had made sacrifices by voluntarily agreeing to restrictions on textile exports against the spirit of the General Agreement. The Multifibre Arrangement was therefore a commendable effort in international economic co-operation. Much to his regret, however, the Arrangement was not implemented by some developed countries, neither in its letter nor in spirit. Efforts were now being made to either change the Arrangement to the disadvantage of developing countries, or failing that, to discard it and to introduce unilateral restrictions on textiles. He felt that if the Arrangement were abandoned and unilateral restrictions introduced, this would have far-reaching repercussions on the whole system of world trade under the General Agreement.

He continued by recalling that the Tokyo Declaration was considered by both developed and developing countries as an ambitious and laudable undertaking. The developing countries saw in the Tokyo Declaration hope for their long-standing and long-neglected trade problems. Progress had been slow and there was now an urgent need to bring these negotiations to an early and successful conclusion. But the negotiations should be concluded in the light of the provisions of the Tokyo Declaration, particularly those relating to developing countries. These provisions should be translated into meaningful concessions and commitments. He said that if the interests of the developing countries were neglected, this would be regarded by them as a failure and the results would not be acceptable to them.

In his conclusion he asked what course of action the session should adopt to meet the challenges facing the international trading system. He mentioned that ways and means should be found to extend the Multifibre Arrangement before the end of this year without amendments or modifications detrimental to the developing countries. The contracting parties should pledge and ensure that henceforth the provisions of the Multifibre Arrangement would be effectively implemented both in letter and spirit. Furthermore, the central focus of the traditional GATT work and of the MTN should be the problems of the developing countries. He felt that unless suitable and equitable solutions to the problems of developing countries were found the international trade system could be in danger.
Mr. SAWAKI (Japan) said that the world economy was still slowly recovering from the serious decline in 1975. The world economy had failed to respond to the varied expectations of nations while the threat of recurrent inflation persisted in many parts of the world. Steady growth of the world economy as a whole was essential for the maintenance of the livelihood of peoples and for the advancement of their welfare. Japan was firmly committed to the targets for growth and stabilization that should provide a basis for sustained, world-wide non-inflationary growth.

While many nations of the world had co-operated in seeking those targets, a dangerous surge in protectionist pressures in the major trading nations had occurred in the past year that threatened to undermine the efforts since the inception of the GATT to pursue economic development through further liberalization of world trade and through the conduct of world trade in accordance with internationally agreed rules. He said that protectionist pressures affected trade in steel, electronics, textiles, cars and other products. These were such important sectors that the very foundation of the world free-trade system would be affected. These pressures were not limited to a few exceptional countries but were now prevalent in most of the major trading countries, including his own.

He said that, in his view, an attempt to cope with economic difficulties by limiting the free flow of trade and other economic activities would only lead to a diminishing equilibrium in international trade and a further deterioration of the situation. His Government was of the opinion that the solution lay in co-operative efforts of nations to overcome differences of views among them and to work jointly for the maintenance and further strengthening of the open and non-discriminatory world trade system. Such efforts were more urgent than ever for the stabilization and further development of the world economy and especially the economies of developing countries. It was the cornerstone of Japan's foreign economic policy to maintain and further improve the open trade system in co-operation with its trading partners. Japan was now actively pursuing ways to further encourage imports.

In respect of the MTN he said that Japan was actively considering an advance reduction of tariffs on a number of items without waiting for the conclusion of the negotiations on the premise that this was duly counted as part of Japan's contribution to the negotiations. This would be done despite the fact that there was not yet a formal agreement on a tariff reduction formula and that the Japanese industries were suffering from serious economic difficulties and despite the loss of competitiveness due to the appreciation of the yen. He expressed the hope that this would contribute to promoting an early conclusion of the negotiations, and would cope with the world-wide rise in protectionism and increase imports into Japan.
He said that Japan would prepare its offers for submission by 15 January 1978 and would adopt as a working hypothesis a tariff reduction formula aiming at the final results of weighted average reduction of 40 per cent following a harmonization formula, to be implemented in principle, over eight years after the conclusion of the negotiations. He hoped that other major governments would do likewise. In the other areas of the negotiations Japan intended to submit offers as substantial as possible in the light of the present world economic situation. Furthermore, Japan intended to make further efforts jointly with its negotiating partners to reduce or eliminate non-tariff measures and thereby positively contribute to the conclusion of the Tokyo Round with comprehensive and substantial results.

He added that the new Japanese Government represented a renewed determination to cope with the economic difficulties in Japan and the rest of the world.

The meeting adjourned at 12.45.