SUMMARY RECORD OF THE FOURTH MEETING

Held in the Geneva Conference Centre,
on Wednesday, 25 November 1981, at 10 a.m.

Chairman: Mr. GABRIEL O. MARTÍNEZ (Argentina)

Subjects discussed: Activities of GATT, continued

Activities of GATT

Mr. MAKU (Nigeria) said that the world economy was at the cross roads, and that the developing countries had to bear the brunt of the slow-down in world production and trade. The drastic fall in recent commodity prices and the growing indebtedness of developing countries bore witness to this fact. Co-operation was needed to prevent a world economic collapse similar to that of the thirties.

He underlined that a vigorous growth in world trade within a liberalized framework was indispensable in overcoming the world-wide inflationary spiral, and called for a more positive attitude of developed countries towards liberalizing imports from developing countries. His delegation fully supported the programme for further liberalization of trade in tropical products approved by the Committee on Trade and Development. The question of safeguards and the related problem of structural adjustment still had to be tackled more effectively. He said that trade in food products and agriculture in general comprised an area where previous GATT negotiations had not made a major impact, and therefore deserved greater efforts in the future.

He said that one of the most satisfying features in the recent GATT report on the state of world trade had been the growing level of trade among developing countries, especially in manufactures. It was the opinion of his delegation that every available tool - financial, commercial and political - should be employed in promoting this trade. While his delegation had no aversion to global negotiations among developing countries, it placed great emphasis on regional efforts for the liberalization of trade, and invited the GATT to offer technical assistance in support of the various liberalization measures undertaken in the Economic Community of West African States, of which Nigeria was an active member.
He said that the Cancum Conference had been another milestone in the North-South dialogue in search of a new international economic order, and that in the changing international economic order there was a growing affirmation by developing countries of their desire for fuller participation in all sectors of the world economy. He said that the GATT must continue to be closely associated with this change and, in this regard, his delegation supported the proposal for the forthcoming Ministerial meeting, hoping that it would lay the groundwork for a major contribution in this direction.

Mr. LUYTEN (European Communities) referred to the current bleak economic reality and stated that the situation would have been worse without the overriding principles and discipline of the GATT, which had always been desirable, but in current conditions were vital. He said that the major countries had their responsibilities to co-operate in upholding open multilateral trading principles, but that all contracting parties had to share in this joint approach.

He referred to the Community's unique position in relation to developing countries as evidenced by the Lomé Convention, the GSP, as well as an extensive number of trade and co-operation agreements. He stated that these were evolving, in an attempt to ensure that the Community's contribution to international co-operation remained adapted to the needs and reasonable expectations of all parties. The Community took 41 per cent of all its imports from developing countries which represented a trade value in 1980 of ECU 114 billion. In addition, the Community and its individual member States provided over ECU 10 billion of development assistance, nearly two fifths of all aid to developing countries.

He said that for the Community, international co-operation was a global concept, and stressed that the capacity of all contracting parties to resist protectionist pressures would be strengthened if those enjoying low unemployment, continued economic growth and a strong external position were to offer tangible evidence of their willingness to contribute to fruitful international co-operation.

Stating that the Community was aware of the harsh economic realities also facing its partners, particularly the oil-importing developing countries, he recalled a number of facts about the Community economy, which faced the worst crisis since the Second World War: industrial production had fallen over the last year by approximately 3.2 per cent; unemployment had risen from 6.2 per cent to 8.3 per cent of the working population, approaching a total figure of 10 million unemployed; the EEC's trade deficit had remained at a staggering annual level of US$45 billion; interest rates had moved upwards by almost 4 percentage points to unprecedented levels of an average 15 per cent; and inflation continued on average at more than 12 per cent.
He stated that the monthly rate of additional unemployment was around 200,000 in the Community, but that the pattern of losses was concentrated in specific regions, with consequent strain on the socio-political fabric as well as on the budget. He also referred to the deep and painful effects of the recession in the EEC as regards the steel (job losses of 66,000 from August 1980 to August 1981), shipbuilding (employment fell from 205,000 to 120,000 during 1975-1980) and textile sectors (loss of 770,000 jobs since 1974). He pointed out that excessive and erratic exchange rate fluctuations had provoked distortions in international trade flows, thereby contributing to a further deterioration of the economic climate.

In reviewing the record of co-operation in the GATT over the preceding year, he stated that in the Community's view, implementation of the agreed tariff reductions and of the various non-tariff agreements was proceeding satisfactorily. He mentioned in this regard that the Community would apply as from 1 January 1982 the third stage of its Tokyo Round reductions and also the first reduction in the textile and clothing field. He also noted with satisfaction that more countries had joined the MTN Codes, noting that several of these Agreements would be reviewed in the future to consider necessary changes. He said that such reviews would also address the matter of reciprocity as regards developing countries, adding in this context that it was not the Community position to require full and immediate reciprocity.

He said that the Community acknowledged the importance of meeting the obligations to notify, provided other contracting parties also met them, and had made an effort to notify matters relevant to the operation of the General Agreement. As regards dispute settlement, he said that some of the improvements introduced during the MTN were not always observed and that there had been unnecessary complications caused by parties to some panel procedures during the preceding twelve months. The system should not be overloaded or used so as to impose additional obligations over and above those of the General Agreement itself, but had to be used dispassionately and with care.

He stated that the problem of "grey area" measures, as referred to in the recent GATT study on International Trade 1980/81, was most visible in the case of western developed market economies which operated on a more transparent basis and which had taken a higher level of GATT commitments than other contracting parties.

The Community had taken note of the Director-General's statement on safeguards and remained ready to co-operate actively in the search for a realistic solution in this area. It also looked forward to continued progress in the important and delicate area of structural adjustment. He said that the Community had one of the lowest average tariffs in the world, combined with one of the greatest number of bindings in GATT. A commercial policy constructed around these two pillars was one most conducive to
continuing structural adjustment, which was an aspect of the market process. There was ample evidence of how the Community was allowing the process to exert its impact, as demonstrated by the statistics cited earlier as evidence of a massive adjustment, which nevertheless had limits.

Finally, he stated that the Community confirmed its support for the Ministerial meeting which would give the opportunity to consider, at political level, the overall condition of the trading system and to establish priorities for GATT's future activities. The Community would play the fullest possible part in the preparations in the coming months for this meeting.

Mr. KRZYSZTOFOWICZ (Poland) stated that the work of the GATT over the past year had to be examined against the background of a trade slow-down, unemployment, inflation and balance-of-payment difficulties, as described in the recent secretariat report on international trade. The implementation of the Codes and other MTN results had contributed to the rôle played by the GATT in creating more favourable conditions for the development of international trade, even though it had to be recognized that these instruments were not considered uniformly effective.

He referred to the number of problems still unresolved since the end of the MTN; namely safeguards, agricultural trade, and non-tariff barriers, and he questioned whether existing economic difficulties, though non-conducive to harmonious development in international co-operation, could justify a lack of progress in such areas as textiles. He stated that it was indispensable for the GATT to find efficient means to oppose protectionist tendencies and to continue its work under these rather difficult conditions. In this context, he agreed that progress or setbacks would ultimately depend on the political will of the contracting parties.

His delegation accepted with satisfaction the proposal to hold a Ministerial meeting in the autumn of 1982. This permitted the future of the GATT to be looked at with some optimism. He mentioned that his country was at the threshold of profound changes in the management of its national economy, including foreign trade. These changes were aimed essentially at increasing the productivity of Polish enterprises and the creation of more favourable conditions for their participation in the international division of labour. Such an orientation could be translated into a growing attachment of his country to the work of the GATT.

Mr. ELIASHIV (Israel) said that the current world economic situation, the increasing uncertainties in the areas of monetary arrangement, trade, inflation, stagnation, unemployment and protectionist pressures constituted more than a source of concern and anxiety to the majority of the contracting parties and in particular to developing countries. There had been a disappointing slow-down in world economic growth, with severe payments difficulties for many developing countries, the combined current account deficits of the oil-importing developing countries having increased
to an estimated $60 billion in 1981. The need to stimulate the growth of world trade was widely recognized, as was the emergence of the developing countries as vital trading partners of the developed countries. This interdependency pointed to the fact that solutions to these difficulties could only be reached through joint efforts and international co-operation.

He said that Israel, as a developing country continued to attach great importance to the expansion of economic and trade relations among developing countries. Increasing the number of participants and the product coverage of the Protocol Relating to Trade Negotiations Among Developing Countries should, therefore, be encouraged.

He then underlined that the post-MTN period should not be limited only to the implementation of the MTN results, but working programmes, which should be adjusted to new dimensions, should be worked out and broadened to cover the wide range of aspects of trade policy and outstanding issues which so far had not been resolved. In this respect, there was no doubt that the rôle of GATT would increase and that it would become of utmost importance.

His delegation supported the continued consideration of agriculture within the framework of the Consultative Group of Eighteen, as one avenue towards advancing the subject in a more appropriate way. It also shared the view that there was a need to advance the safeguard issue.

He said that Israel supported the idea that the next session of the CONTRACTING PARTIES should be convened at ministerial level with the purpose of examining the multilateral trading system and improving it, as well as considering the implementation of the results of the MTN, strengthening GATT and its programme of work, and increasing co-operation among contracting parties in order to find appropriate solutions to the various problems which were reflected in growing protectionist pressures, particularly those problems of special concern to developing countries. The Ministerial meeting could offer an opportunity for a concerted effort by all to discuss, review and identify the problems facing the contracting parties and to attempt to arrive at a common assessment as well as a commitment for action to be taken in the future towards world trade liberalization and the achievement of economic and social development.

Mr. SUZUKI (Japan), in pointing to the world economic crisis, said that many developed countries were suffering from unemployment and inflation, while in the oil-importing developing countries the accumulated foreign indebtedness was reaching an unbearable level. There had consequently been a slowdown in world trade, and governments had to cope with pressures for protectionist measures, although their determination to maintain the principle of free trade had remained firm. It was Japan's belief that the GATT should seriously tackle
this undesirable situation. From that viewpoint, Japan fully supported the proposal for holding a GATT Ministerial meeting in 1982. At that meeting, Ministers would have to look into the problems which the open and multi-lateral trading system was facing and discuss ways and means of dealing with them. He stressed that the contracting parties had to reaffirm at the political level their confidence in, and support for, the GATT system, which was designed to seek solutions to trade problems under multilateral disciplines such as the safeguard system and dispute settlement procedures, and which was based on the principles of freedom and non-discrimination.

He then touched upon matters relating to the preparation of the Ministerial meeting, and proposed that this issue be discussed in the body to be set up under the Council for the preparation of the meeting. He also suggested that thorough preparations would be required and should begin as soon as possible.

He then turned to the problem of emerging protectionism and said that it was not enough to voice support for the principle of free trade in the various fora of GATT. It had to be recognized that the basic cause of protectionism was the stagnation of domestic economies and that, therefore, efforts had to be made to correct this situation. For that purpose it was important to revitalize the economies through appropriate economic policies using to the fullest extent possible the market adjustment mechanism. He emphasized that the revitalization of economies was possible only through the expansion of world trade based on the principle of free trade and would not be possible if countries resorted to protectionist measures. In his view, protectionist pressures had actually reached such magnitudes that, in order to contain them, constant efforts had to be made to maintain momentum for the expansion of world trade. Consequently, apart from promoting the implementation of the agreements reached in the Tokyo Round, GATT should further its discussions on unresolved issues.

He stressed that in its efforts for the expansion of world trade in the Tokyo Round and thereafter, Japan was now an open market, and it was fully aware of the rôle that it had to play in maintaining and reinforcing the principle of free trade. These efforts would be intensified. In his view, the problems underlying recent strains in the trade sphere were due to structural changes, such as the widening of gaps in the growth of productivity, which in turn were a result of differences in approach between countries with regard to the rise in the price of oil and to rapid changes in the demand structure, as well as recent technological innovations. Although basically, problems of such a nature should be met by carrying out positive structural adjustment policies, the fact was that in some instances recourse was had to trade measures to deal with them temporarily. However, if the problems of trade measures were being caused by structural changes in the international economy, it followed that such problems could occur in any country and that, therefore the GATT should not be indifferent to these problems, since they were a matter of
concern to the CONTRACTING PARTIES as a whole. It should be recognized that the rôle of GATT would increase even more if the climate of world trade were to become more severe.

He said that a satisfactory conclusion to the MFA negotiations was of utmost importance for the stable development of trade in textiles and that it would provide a positive response to the spirit of the Cancun Summit. It was his strong hope that the present MFA would be extended with its basic framework intact, although he emphasized that this did not mean that Japan supported the adoption of a similar approach in other sectors. Furthermore, the fact that the MFA was an exception to GATT rules did not permit the total disregard of those rules.

In conclusion, he urged those countries still maintaining discriminatory quantitative restrictions against Japan to abolish them promptly.

Mr. PAUNESCU (Romania) focussed on four elements in the activity of the GATT which were of concern to all, and which flowed from the present state of the economy and world trade.

The first element was the maintenance of an open international trading system and the end to protectionist tendencies. In this connexion, he referred to the various forms of protectionist measures taken over recent years: voluntary export restraints on developing countries resulting from unequal negotiating strengths, and the abusive recourse to anti-dumping measures. He underlined the necessity for developed countries to respect their international commitments not to introduce restrictive measures, particularly as regards textiles, steel and shoes. He said that the rôle of the Sub-Committee on Protective Measures should be consolidated in order to prevent the adoption of new restrictive measures and to eliminate existing ones. Developed countries should notify the voluntary export restraints negotiated with developing countries for examination by the Sub-Committee. As concerned textiles, he said that Romania was firmly in favour of the conclusion of a new Multi-Fibre Arrangement before 31 December 1981, and reiterated the necessity of not having any clause therein justifying discriminatory treatment or restrictive measures by importing countries.

He mentioned, as the second element, the acceleration of the process of trade liberalization and the faithful implementation of Agreements stemming from the Multilateral Trade Negotiations. It was also urgent to continue negotiations on unresolved issues, in particular, safeguards, quantitative restrictions, and trade in agricultural products. Another priority task was the faithful implementation of special and differential treatment for developing countries, as agreed to in the MTN, through the development of practical ways to apply this treatment. He stated that it would be desirable to improve the Generalized System of Preferences, with all developing countries subject to the same conditions.
Serious attention should also be given to the trade liberalization work of the Committee on Trade and Development and to how GATT could contribute efficiently to the developing countries' growth, especially as regards their exports, by submitting structural adjustments to disciplines and surveillance procedures.

The third element he mentioned was that GATT should attack new pressing problems and areas such as the relationship between financial and trade questions. The CONTRACTING PARTIES should act in co-operation with other international institutions, as provided for in Article XXXVIII, to resolve the problems of resources, balance of payments and terms of trade for developing countries, and to explore the idea of a ceiling on interest rates with more favourable levels for developing countries. He also mentioned the important but limited results produced in the MTN on agriculture. The start of the work in the Consultative Group of Eighteen on agriculture had been positive, but discussion should go further to identify solutions to concrete trade difficulties and to set up a more appropriate mechanism.

As the fourth element, he said that the GATT system would be put to test, and that, therefore, it was necessary to have an efficient system for the settlement of disputes and maximum transparency and co-ordination in GATT activities.

He supported the holding of the session of the CONTRACTING PARTIES at ministerial level, the aim being to examine the functioning of the multilateral commercial system, ways to improve it and to render it more efficient, stock-taking of the results of the MTN, the unresolved problems affecting the trade system, and the direction and future activities of the GATT. He stated that the meeting had to be "action-oriented". It should be well prepared, and in this regard it would be appropriate to create a special preparatory committee.

He reiterated his country's request that all discriminatory restrictions applied against its exports, inconsistently with Article XIII, be eliminated. In particular, Romania renewed its request to the United States to withdraw its invocation of Article XXXV and grant Romania most-favoured-nation treatment on a permanent and multilateral basis.

In conclusion, he said that Romania appreciated very positively the technical assistance which had been made available by the secretariat.

Mr. O'BRIEN (New Zealand) said that GATT had changed since the beginning of the Tokyo Round, and was continuing to change as the MTN results were variously assessed and/or implemented by contracting parties, all of whom were learning from this process. He referred to New Zealand's long-standing concern with the abiding problems of the multilateral treatment of agricultural trade and said that the Tokyo Round had not really corrected the fundamental imbalance in GATT treatment of agricultural trade in contrast to other trade, which dated almost from the inception of the General Agreement itself. He welcomed the encouraging new departure in the Consultative Group of Eighteen
for regular and substantial deliberations on agriculture as a worthwhile start and first step to make the GATT system more complete and more relevant to a wider number of contracting parties, particularly at a time when certain major contracting parties were contemplating or implementing important changes in agricultural policy. The useful secretariat work, prepared for the Consultative Group of Eighteen, had proven the existence of discrimination in agricultural trade. But much more work was still to be done, just as new GATT work in the area of structural adjustment and trade had still to acknowledge the central relevance to an efficient utilization of resources that could be ensured by an equitable application of trade rules to agriculture, recognizing real comparative advantage. He noted that some consolidation of GATT concern with agriculture had occurred in and since the Tokyo Round, and he mentioned the International Dairy Arrangement and the Arrangement Regarding Bovine Meat which had demonstrated their effectiveness within the somewhat limited scope of their conception. He expressed hope that a genuine consensus was emerging on the need to achieve real advance in fairer GATT treatment of agriculture.

Referring to the overall sluggish economic conditions, protectionist pressures, the trend to sectoral solutions outside the GATT framework, the resort to safeguard expedients of questionable GATT validity, and the fundamental need for GATT to demonstrate capacity to respond adequately to the legitimate trade aspirations of developing countries, he stated that endorsing the proposal for a GATT Ministerial meeting in 1982 demanded an act of faith against this somewhat unpromising and challenging background. Such a Ministerial meeting would be very important, as indicated by its having been endorsed at the Ottawa Summit as well as by subsequent summits. Nevertheless, it would in the end be judged on results; and exaggerated expectations should be avoided.

He said that New Zealand could endorse the four possible aims proposed by the Consultative Group of Eighteen for the meeting, but made the three following points: first, if a GATT Ministerial meeting did not or could not aspire to do better than endorse the status quo, then a dismal interpretation of GATT's capacity, amongst the world trading community at large, must result. Such a limited objective would lend credibility to those who claimed that GATT was not equal to the task, and could lead to a crisis of confidence in the primacy of GATT for providing the real framework for the conduct of inter­national trade. Second, any GATT Ministerial meeting must constitute more than just a stocktaking. He said that the stocktaking of the GATT system which New Zealand had proposed two years earlier, in the aftermath of the Tokyo Round, was in several aspects well advanced and was leading to some interesting conclusions or indications for future action. The Ministerial meeting should not, however, be viewed simply as a repetition of a stocktaking, and had to decide on the implications of the work already done. Third, he said that some broad procedural objectives of the Ministerial meeting had to be clarified.
New Zealand did not want the meeting to be regarded as a precursor to a classic tariff-cutting negotiation of the Kennedy Round type. It had to produce a work programme aimed at dealing with specific problem areas, which implied real negotiation at a certain state, that is, a real mutual effort to attain the best possible improvement in international trade rules.

In concluding, he underlined the need to devise preparatory arrangements that not only permitted careful and considered background work, but also to the extent possible, insulated the preparation from the day-to-day trade relations issues. He stressed that it was crucial that participants possess the necessary authority to participate constructively in a meeting that must give GATT a clear and positive mandate for the next vital phase of its work.

Mr. JARAMILLO (Colombia) expressed his thanks to the Chairman for his welcome to Colombia as full member of the General Agreement and recalled that Colombia had participated in the work of GATT ever since its provisional accession in 1975.

Referring to the results of the MTN, he regretted that, although the participation of developing countries in the MTN Committees had increased during the preceding year, their relative participation had remained very low. The only manner in which the developing countries could ensure an application of the MTN Codes in a manner favourable to them, would be through the numerous and efficient participation of developing countries in the work of the MTN Committees. This participation could be facilitated by the introduction of the elements of flexibility and by the application of the provisions on differential treatment which were contained in the Codes. Colombia still had not signed any of the MTN Agreements, but having become a full member of GATT, would now turn all its attention to studying the Codes, with the hope of positive results in the very near future.

He said that the full participation of developing countries in the various MTN Committees could be an important factor in preventing the post-MTN-GATT from turning into two separate compartments: one comprising the MTN Codes and Committees, and the other containing the other traditional matters of GATT. In this respect, he believed that the secretariat carried great responsibility because many developing countries needed continuous technical assistance in order to be able to take positive decisions in this context as soon as possible.

With regard to the compartmentalization of GATT, Colombia was concerned by the relationship existing between the MTN Committees and the permanent GATT mechanisms such as the Council and the CONTRACTING PARTIES. He referred to paragraphs 1 and 4 of the Decision of 28 November 1979 on "Action by the CONTRACTING PARTIES on the Multilateral Trade Negotiations" (BISD 26S/201) and expressed concern that the reports from the MTN Committees were submitted neither in the Council nor in the CONTRACTING PARTIES to a treatment similar
to that given to the reports of the Council, the Committee on Trade and Development and of its two Sub-Committees. Note was simply taken of the reports of the MTN Committees without there being a special item on the agenda. His delegation believed that the task of surveillance could not be abandoned by the CONTRACTING PARTIES, and recommended that a procedure be established under which these reports could be discussed and approved with full knowledge of the matters involved. The CONTRACTING PARTIES had to ensure that the GATT system continued to be coherent. He regretted that the simple participation of non-signatory countries as observers had not enabled them to participate fully in the functioning of the MTN Committees.

He then addressed himself to two other aspects of fundamental importance, namely safeguards and trade in textiles. He expressed the hope that the Multifibre Agreement would not be converted into an instrument of discrimination against the textile trade of the developing countries, and that it would be possible to achieve an agreement as soon as possible before the end of 1981. The solution of the problems in the field of both safeguards and textiles would be facilitated through an appropriate structural adjustment in the economies of the industrialized countries. For this reason, his delegation attached very great importance to the work carried out in this sector.

He stressed the importance which his delegation attached to the work of the Committee on Trade and Development with respect to trade liberalization, and expressed the hope that the process of consultations on trade liberalization, especially for tropical products and quantitative restrictions would lead to efficient actions. He underlined the value of the studies which had been made by the secretariat in these sectors.

He said that his Government fully supported the proposal to convene a Ministerial meeting in 1982. Only at the political level of Ministers could the decisions be taken which would enable GATT to maintain the momentum which the Tokyo Round had given with respect to the conduct of international trade relations.

Mr. VRHUNEC (Yugoslavia) referred to the difficulties of the world economy, which were provoking growing protectionism and autarchic tendencies. The trend away from multilateral co-operation towards unilateral, bilateral or plurilateral solutions further reduced the possibility of arriving at a common effective solution. Resistance to concertation regarding the launching of the global negotiations was leading the international community to a dangerous and unmanageable situation, with particularly serious consequences for the developing countries, and the question of accelerating their development was being underrated and treated as a matter of secondary importance.
The members of GATT had consequently been obliged to analyse the causes of those problems and to examine them in its various bodies, hence the diversification and greater attention to the current situation in GATT's work. That work, however, had been a matter more of form than of substance, owing to the absence of major efforts to ensure continuing movement towards the attainment of GATT's principal objective. That meant the opening of markets for foreign products, especially products from the developing countries, by the establishment of a system of international trade that took into account new conditions and new needs in order to ensure a place for each national economy in the new international division of labour.

Yugoslavia was particularly disturbed by a protectionism that was becoming more and more pronounced and subtle in its forms, with increasingly devastating consequences for world trade, especially for the trade of the developing countries. Protectionism was leading directly to aggravation of the balance of payments, increased indebtedness and the deceleration or even cessation of the process of structural adjustment. In the opinion of his delegation, everything possible must be done to prevent the further closing off of markets.

Unfortunately, GATT had so far not succeeded in really restraining protectionism, which was a disease that could be cured only by the global negotiations on international trade. That should be the first objective of GATT's future activities.

The position of the developing countries was the key problem of world trade. He regretted that adequate attention was not being given to the widening of the economic gap between those countries, and especially the least developed of them, and the industrialized countries. There was insufficient observance of the provisions of Part IV of the Agreement and of the legal basis for the differentiated and more favourable treatment of developing countries. The latter accepted the need for, and usefulness of, internationally-agreed discipline in the implementation of trade policy, provided that there was regard for the inequality of rights and obligations based on the inequality of levels of economic development as the basic criterion. The situation of the developing countries had worsened so much and so suddenly that his Government deemed it indispensable for GATT to give its full attention to that question in the future. The universality and success of GATT's work, as well as the rehabilitation of the world economy, would largely depend on the solution of that problem.

The strengthening of GATT's credibility would further depend on the extent to which it succeeded in initiating the serious and effective solution of the questions which remained to be resolved since the Tokyo Round negotiations, such as the problems of agriculture. The work which had been done in that area by the Consultative Group of Eighteen was useful and Yugoslavia would like to see it intensified. The problem of structural adjustment also deserved special attention by all the contracting parties. Moreover, Yugoslavia considered the establishment of the multilateral safeguard system as one of the main priorities of GATT's future work.
He also stressed the matter of GATT's institutional adaptation and was pleased to note that solutions had been found for most of those questions. The Committee on Trade and Development and its two sub-committees had an important place in that context. His Government welcomed the decision on extension of the terms of reference of the Sub-Committee on Trade of Least-Developed Countries. The Sub-Committee on Protective Measures should become the main forum for the discussion and adoption of measures against protectionism, which was dealing heavy blows against all countries, and especially the developing countries at all points of their export structure.

As a signatory of most of the agreements resulting from the Multilateral Trade Negotiations, Yugoslavia wished to stress that very particular attention must be given to the application of the most-favoured-nation clause and to the interpretation of the differentiated and more favourable treatment deriving from those agreements in favour of the inclusion of developing countries. It was necessary, through the work of various committees, to create a climate that encouraged those countries to accede in greater numbers to the various Codes.

He believed that, in spite of certain successes, GATT would begin to lose its credibility if protectionism outside the framework of GATT's rules continued to grow. Since many problems requiring the policy guidance of member countries were awaiting decision, his Government considered the idea of holding a Ministerial meeting the following year very useful. That meeting should be held in the context of the global negotiations and should have as its objective discussion at the political level of the questions at the root of all the difficulties confronting world trade. The Ministerial meeting should concentrate its deliberations on the solution of the trade problems that were hampering development of the developing countries and on the creation of a new international trading system as an integral part of the new international economic order.

Mrs. M'BAHIA (Ivory Coast) stated that the time had come to take stock of GATT activities since the Tokyo Round, in particular as regards the carrying out of the work programme on trade and development. She referred to the difficult economic conjuncture in which most countries found themselves, the disturbing tendencies towards increasing protectionism of certain governments, and the current developments in the international trade system.

She said that liberal economies faced great difficulties in adapting their production systems and industrial structures. The situation of developing countries was even more alarming, as most of them sought a just and equitable price for their primary products, but were unable to do anything against the technical barriers and indirect restrictive measures in certain markets. She underlined the ever-growing deterioration in the terms of trade of developing countries: the current deficit of their balance of payments had reached US$60 billion in 1980.
Of particular concern to her delegation was the question of trade liberalization. She said that efforts had been made, to a certain measure, in implementing Part IV of the General Agreement. However, it was deplorable that there were so few developing countries participating in the different Codes resulting from the MTN. This, in her view, was due to these countries' fears of seeing the arrangements being applied without the necessary flexibility. In this regard, her delegation wished that greater assistance be made available to developing countries so as to increase their participation in GATT activities and to allow them to take more advantage of the Tokyo Round.

She welcomed the opening of plurilateral consultations between principal producer and consumer countries of tropical products, as decided in the Committee on Trade and Development, and considered the pilot studies on tariff escalation as a good initiative. She also underlined that work should continue with renewed vigour in the Sub-Committees on Protective Measures and on the Least-Developed Countries following the Paris Conference. Technical assistance to developing countries should be maintained and further developed in the coming years.

Finally, she supported the proposal to hold a Ministerial meeting in order to take stock of the activities of the GATT and preserve its credibility in the multilateral trade system. She hoped that such a meeting would arouse at the highest level the political will of governments to find solutions to the problems still outstanding since the Tokyo Round, and to take care that the economic system would be more flexible, more open, and more favourable towards a better integration of the economies of developing countries, thus permitting them to respond more positively to the needs and demands of their social, economic and cultural development.

Mr. DONOVAN (Australia) said that as a result of the meeting of the Consultative Group of Eighteen a clear mandate had now been established to pursue meaningful work on agriculture in the GATT, and that there was an urgency in this task.

As to the future, he supported the recommendation of the Consultative Group of Eighteen to hold a session at ministerial level in November 1982. The issues involved in this meeting would, in his view, include items like agriculture, quantitative restrictions, and structural adjustment.

This meant to him that the GATT was entering its second generation. The GATT had come out of the depression of the 1930s and World War II, but thirty years later the scene had changed: there were different economies moving into the organization and different rules were being applied. He said that the GATT had suffered so many deviations from its rules that it should be looked at again in the light of the current economic situation, current problems and pressures, in the light of new forces that had emerged and new alignments of forces. The increasing rôle of the developing countries in world trade was one evidence of these new forces.
The Ministers, therefore, would have to take a careful and comprehensive look at these new aspects of the GATT, and at the working of the GATT under current conditions. He felt that if the GATT could not be brought up to date in the light of these forces, then it would wither on the vine. His delegation would make this suggestion in a more general way in addition to other points to be raised at the Ministerial meeting.

Mr. WANIGTUNGA (Commonwealth Secretariat), speaking as an observer, stated that the Heads of Government of the Commonwealth countries had expressed their anxiety over the trend towards increased protectionism, and had agreed that governments should make further efforts to reduce tariff and non-tariff barriers to trade and to achieve international agreement on effective rules covering the resort to emergency safeguards. They had noted that little progress had been made in eliminating quantitative restrictions against certain categories of manufactured exports of particular importance to developing countries, or in reducing barriers to trade in agricultural products, or those resulting from tariff escalation. They had welcomed the proposal for a Ministerial meeting of the GATT in 1982 to consider these and other problems of trade faced by all countries.

He said that Heads of Government had requested the Commonwealth Secretary-General to commission a group of independent high-level Commonwealth experts to investigate the impact of protection on developing country trade and to report in time to assist governments in their preparations for the proposed GATT Ministerial meeting. The group would examine the effects of protection on developing countries, and would consider, inter alia, the question of emergency safeguards, voluntary export restraints and orderly marketing arrangements, structural adjustment, tariff escalation and the adequacy of existing arrangements for the settlement of disputes.

The CONTRACTING PARTIES took note of the statements.

The CONTRACTING PARTIES adopted the Report of the Committee on Trade and Development (L/5253) and took note of the Reports relating to the MTN Agreements (L/5209, L/5218, L/5225, L/5226, L/5229, L/5231, L/5240, L/5241 and L/5248).

The meeting adjourned at 1 p.m.