Committee on Trade and Development

RECENT DEVELOPMENTS RELEVANT TO THE OPERATION
OF PART IV OF THE GENERAL AGREEMENT

Note by the Secretariat

1. The present note surveys developments relevant to the provisions of Part IV since the Committee held its last meeting early in June. Section I briefly describes action by governments and Section II deals with developments in other international bodies.

I. ACTION BY GOVERNMENTS RELEVANT TO THE PROVISIONS OF PART IV

Entry into force of Part IV

2. The Protocol amending the General Agreement on Tariffs and Trade to Introduce a Part IV on Trade and Development entered into force on 27 June, when it had been accepted by forty-five contracting parties. Since then, four other contracting parties have accepted the Protocol and another government has become a contracting party pursuant to paragraph 5(c) of Article XXVI. Consequently, there are now fifty contracting parties in respect of which the provisions of Part IV have become effective in accordance with Article XXX of the Agreement. In addition, three other governments which have acceded provisionally to the GATT have indicated their acceptance of the Protocol. Certain contracting parties which have not yet accepted the Protocol have, however, subscribed to the Declaration providing for de facto application of the new provisions. A list showing the status of the individual contracting parties in relation to Part IV is annexed.

Removal of quantitative restrictions

3. This section briefly summarizes action taken by developed contracting parties in pursuance of the provisions of Article XXXVII, and, having regard to the provisions of paragraph 4 of that Article, recent liberalization measures taken by developing countries.¹

¹As usual restrictions on cotton textile products are not dealt with in this paper. Information on recent developments in this sector may be found in CCT/W/73.
Austria: The Government has announced that, with effect from 1 January 1967, the following products will be freed from quantitative restrictions: (a) products included in the Committee III lists: jute yarn; woven fabrics of jute; other carpets, carpeting, rugs, mats and matting; travelling rugs and blankets of wool or fine animal hair; sacks and bags of jute; certain furniture and parts thereof; and (b) products notified in the context of the Kennedy Round: matches; worked monumental or building stone; and "other" brooms and brushes. In the meantime import quotas for these products have been further enlarged. These measures will essentially complete the liberalization of imports of industrial items into Austria.

Brazil: Following the liberalization measures put into effect in April this year, a further 211 tariff items were liberalized with effect from 27 July. Among the items liberalized on this date are fresh and preserved fruits; oil seeds and kernels; various animal and vegetable fats and oils; wood and certain articles of wood; furniture; and various iron and steel manufactures.

Denmark: On 1 July 1966 import restrictions on the following Committee III products were eliminated: biscuits; marmalades, jams, fruit purées and fruit pastes, and certain rubber footwear. Basketwork, wickerwork etc., one of the items notified in the context of the Kennedy Round, was also liberalized. It has been announced that import restrictions on three other tariff items, namely: (specified) chocolate, certain food preparations, and worked monumental or building stone, will be removed by the end of 1966. As a result, as of next year, all industrialized products falling within Chapters 24 to 99 of the Brussels Tariff Nomenclature and figuring on the lists of products notified by developing countries as being of export interest to them will be free from import restrictions.

Federal Republic of Germany: Imports of fishing nets of synthetic materials, one of the items notified in the context of the Kennedy Round, were liberalized.

India: The measures announced by India late in June for the fiscal year ending in March 1967 were aimed at considerably enlarging import opportunities for a wide range of products - including many items of special export interest to developing countries. While the measures benefit many different industries, including small-scale industries and registered importers, provision was made, in particular, to meet the import requirements of the fifty-nine "priority" industries for raw materials, components and spares. Imports of certain raw materials needed for export production - raw hides and skins, tanning substances, and cashew nuts - are now allowed an open general licence.
Israel: Import restrictions were eliminated in respect of some forty tariff items including, apart from citrus fruit juices and certain preserved citrus fruits, such products as travelling bags, certain leather goods and leather clothing, bicycles, certain cosmetic articles, lead bars, sections and wire, and specified musical instruments.

Netherlands: The Netherlands authorities announced that with effect from 1 January 1967 imports of shrimps will be liberalized (cf. COM.TD/B/4 and COM.TD/23). Of the Committee III items only certain antibiotics remain subject to restrictions. Meat and edible offals of horses, one of the products notified in the context of the Kennedy Round, was liberalized on 1 July 1966. The question of import liberalization of the only other item notified in the Kennedy Round and remaining subject to restrictions, certain mineral or chemical fertilizers, is stated to be under consideration.

Pakistan: Under the import policy for the fiscal year 1966-67, announced on 14 July 1966, the number of items on the Free List has been increased from previously thirty-one to sixty-five. Among the items newly added to the Free List are coir ropes; agar wood; feathers; glue, gum and resins; shellac; waxes of all sorts; dome nuts and a variety of industrial and scientific apparatus. Further, the number of products for which licences will be granted was enlarged. Among the items benefiting from this measure are dry cell batteries, buttons, certain requisites for games and sports, certain polishes. Provision was also made for considerably enlarged import facilities for industrial users by approximately doubling the number of industries which are entitled to obtain licences for their full import requirements. Moreover, import facilities under the Export Bonus Scheme and for pharmaceuticals were further enlarged.

Sweden: It was announced that herring (other than Baltic herring) one of the five Committee III items still subject to restrictions - all of them agricultural or fishery products - has been transferred to the general licensing list and has thus been de facto liberalized.

In addition France - which has not accepted Part IV or the Declaration on its de facto application - removed import restrictions on a number of products of export interest to developing countries. As notified in document L/2674, a number of products falling under fourteen different tariff headings were liberalized with effect from 26 June 1966. Products of export interest to less-developed countries affected by these measures include certain meats and meat preparations, specified preserved vegetables, fruits and fruit preparations, orange juice, potato flour and flakes, macaroni and spaghetti, and extracts and essences of coffee.
Reduction of tariffs and taxes

During the period under review a few changes in customs tariffs relevant to the provisions of Article XXXVII have come to the notice of the secretariat.

**Japan:** On 1 October Japan reduced the tariff duties on coffee beans and cocoa beans from 10 per cent and 5 per cent respectively to zero. The measure was taken on a temporary basis in advance of implementing Japan’s offer on these two products in the Kennedy Round. As of the same date, excise taxes on coffee and cocoa powder were lowered to 5 per cent from their former level of 10 per cent.

**Sweden:** With effect from 1 July, import duties on the following tropical products were eliminated: dates, bananas, coconuts, Brazil nuts, cashew nuts, pineapples, avocados, guavas, mangoes and mangosteens (dried, fresh, shelled or not) pepper, pimento, vanilla, cinnamon and cinnamon tree flowers, cloves, nutmeg, mace and cardamoms, thyme, saffron and bay leaves, ginger, curry and other spices, cocoa beans (whole or broken, raw or roasted) and extracts, essences or concentrates of coffee, tea or maté and preparations on the basis of these extracts, essences or concentrates. As of the same date, duty reductions by more than 50 per cent were put into effect for the following products: coffee (raw or roasted), coffee substitutes, cocoa paste, cocoa butter and cocoa powder. (For further details please see COM.TD/25.)

**Switzerland:** The Swiss authorities have put into effect certain amendments to their tariff schedules which have the effect of reducing the tariff incidence on a number of products, including wet pre-tanned leather, slivers of flax or true hemp (reduction valid until 30 June 1968), juice of grapes, baskets of strips of wood and specified children’s footwear. (Cf. COM.TD/37.)

II. ACTIVITIES IN OTHER INSTITUTIONS

A. UNITED NATIONS COMMITTEE ON TRADE AND DEVELOPMENT

In the four months June to September 1966, the UNCTAD held a number of meetings. Among those of direct interest to the Committee on Trade and Development are:

- The United Nations Cocoa Conference 1966
- The Permanent Sub-Committee on Commodities (first session)
- The Committee on Shipping (special session)
- The Group on Preferences
- The Advisory Committee to the Board and to the Committee on Commodities
- The Trade and Development Board (fourth session).
United Nations Cocoa Conference 1966

The Conference took place from 23 May to 23 June in New York. It adjourned with the adoption of a resolution which, inter alia, invited the Secretary-General of the UNCTAD to arrange intergovernmental consultations, to establish technical working groups, to convene a negotiating group to consider the possibilities of an agreement and to reconvene the Conference before the end of the year.

Permanent Sub-Committee on Commodities

The Sub-Committee met at Geneva from 27 June to 16 July 1966 and dealt with: (a) the preparation of a summary of the current market situation in selected commodities, (b) the formulation of a general agreement on commodity arrangements and (c) international organization of commodity trade. Because of lack of time, the Sub-Committee did not complete the examination of a draft study which had been prepared in connexion with point (a). It was also considered premature to attempt to formulate the general agreement indicated in (b) before the completion of the comprehensive document on international commodity policy being prepared by the UNCTAD Secretariat. As regards (c) the Sub-Committee recognized that the problems varied with each commodity and that principles would have to be applied in a pragmatic manner. Many members of the Sub-Committee stressed, however, the need to define the broad objectives, general principles and policy implications of future commodity arrangements.

Committee on Shipping

The Committee met from 18 to 25 July 1966 at Geneva to examine the objectives, the approach and the methods of the proposed studies on the level and structure of freight rates, Conference practice and the adequacy of shipping services. The Committee agreed on a programme of studies on the basis of a report submitted by the Secretary-General of UNCTAD and modified on the proposals of various members of the Committee.

Group on Preferences

The Group met from 26 July to 5 August 1966 in Geneva to consider the question of granting preferences in favour of developing countries. The Group carried out a discussion on the work hypothesis that general, unreciprocal and non-discriminatory preferences would be granted. The discussion covered such aspects of the question as commodity coverage, the level of preferential margins, countries to grant the preferences, whether schemes should be identical or different from country to country, countries to benefit from the preferences and the position of the least developed countries, safeguards for the interests of third countries and international supervision, the relationship with existing preferences, duration of the present preferences, etc. (For the discussion of the same subject in OECD, see section (C) below.)
Advisory Committee to the Board and to the Committee on Commodities

The Advisory Committee held its first session at Geneva from 27 to 30 September 1966 and discussed various questions relating to the formulation of an international commodity policy, the operation and financing of buffer stocks, the role of finance in diversification programmes, the structure of the commodity market, etc. The Advisory Committee intends to hold two further meetings before the Second Conference.

Trade and Development Board

The Trade and Development Board held its fourth session at Geneva from 30 August to 25 September 1966. It took stock of the current situation in world trade and gave directives for the effective preparation of the Second Conference on Trade and Development which, subject to approval by the United Nations General Assembly, will meet in New Delhi, in September and October 1967. In addition to these two major tasks, the Board was concerned with the prospects for an early international agreement on cocoa. It also discussed ways to promote the expansion of trade and economic integration among developing countries and approved various activities concerning its subsidiary organs. Other topics on the agenda were problems in trade relations between countries with different economic systems, principles governing international trade relations, the progressive development of the law of international trade, technical assistance for trade promotion as well as organizational and budgetary matters.

In discussing the implementation of the 1964 recommendations, the Board reviewed the current trade trends. The Secretary-General of UNCTAD, for example, expressed disappointment at the failure of the rate of growth of the national income of developing countries to attain the United Nations Development Decade's minimum target of 5 per cent per year and pointed out that the flow of financial resources from the developed to the developing countries had remained stationary between 1961 and 1964, even though the developed countries had registered a satisfactory rate of growth during that period. Consequently, the implementation of the recommendations of the First Conference setting a minimum 1 per cent target for the transfer of resources on the part of each economically advanced country was farther from fulfilment than it had been in 1961, even when account was taken of the slight improvement that had occurred between 1964 and 1965. Moreover, the financial burden involved in servicing previous capital transfers cancelled out about half of the new resources being transferred to the developing countries.
The developing countries, in a joint memorandum, declared that the recommendations of the 1964 Conference "have not been implemented either adequately or in a concentrated manner and have so far resulted only in isolated and limited measures by individual countries". In "a short-term programme of implementation", they urged the developed countries to take action, before the opening of the Second Conference, in order to conclude international commodity arrangements on cocoa and sugar; to observe the "standstill" on commercial policy measures adverse to developing countries; to institute a scheme of general and non-discriminatory preferences; to increase the flow of financial assistance to developing countries up to the 1 per cent target; to alleviate the debt burden by appropriate rescheduling of debts; to improve loan conditions; and to co-operate on a practical scheme of supplementary finance.

The developed countries indicated that they shared the deep concern over the present situation of the developing countries and desired to contribute to its improvement. They could, however, not subscribe to the memorandum because, in their opinion, it did not state the facts relating to the economic growth and development of the developing countries in "a sufficiently balanced manner" and because they could not agree to the way in which the demands were formulated. In their view the differences separating the positions of the developing countries on the one hand, and the developed on the other, were not differences of objective.

The Board approved a provisional agenda for the 1967 Conference which includes suggestions by the Secretary-General as well as new proposals made by different groups of countries. The provisional agenda, which will be studied at the Board's fifth session, in May 1967, includes the following subjects:

a review of developments and consideration of further action;

steps to achieve a greater measure of agreement on principles governing international trade relations;

trade relations among countries with different economic systems;

impact of regional economic groupings of the developed countries on international trade;

commodity problems and policies including techniques of commodity market stabilization;

measures for the expansion of exports of manufactures and semi-manufactures from developing countries such as preferential or free entry to the developed countries;
development finance and aid including supplementary financial measures and compensatory financing;

problems of developing countries in regard to shipping such as freight rates and consultation machinery in shipping;

economic integration among developing countries.

The Board considered an extensive study by the Secretariat on Trade Expansion and Economic Co-operation among Developing Countries (TD/B/85) and had also before it the conclusions of a Panel of Experts on the same subject (TD/B/68). The Board agreed to circulate its report among the international institutions concerned for comments. The Board will discuss at its fifth session: (a) action to be taken by developing countries; (b) international action to be taken in support of the efforts of the developing countries; and (c) further steps to be considered at the 1967 Conference.

The Board approved a decision setting up a small group of government representatives with the requisite expertise to study and report on supplementary financial measures to the Second Session of the Committee on Invisibles and Financing related to trade, to be held in April 1967.

The Board also considered the report of the Secretary-General on the results of the United Nations Cocoa Conference of 1966 and noted that, although the differences in the position of different countries had narrowed, an agreement would not be reached unless a greater effort was made by both consuming and producing countries. The developing countries members of the Board issued a joint statement expressing their disappointment on the failure of the Conference, reasserted their will to reach a cocoa agreement before the Second UNCTAD Conference and outlined the main features that such an agreement should contain in conformity with the recommendations of the First UNCTAD Conference.

In discussing the report of the Committee on Manufactures, representatives of developing countries expressed the view that the developed countries had not removed or significantly reduced the tariff and non-tariff barriers which continued to impede the exports of the manufactures and semi-manufactures from the developing countries. It was agreed that sectoral studies on industries of potential export interest for developing countries should be undertaken and a joint UNCTAD/FAO ad hoc working party was created to deal with forest and timber products.

The Board took note of the report of the Group on Preferences. The hope was expressed that by the time of the Second Session of the Committee on Manufactures (January-February 1967) developed countries would be in a position to submit concrete proposals for the granting and extending of preferences in favour of the developing countries, in the light of the discussions in the OECD (see Section (C) below).
The recommendations of the Committee on Shipping with regard to a detailed work programme were approved and the Secretariat was asked to undertake the study in question.

Following a note presented by the Secretary-General, the Board discussed technical assistance activities in trade promotion and related fields. In the discussions frequent reference was made to the GATT International Trade Centre. The Secretary-General of UNCTAD stated his intention "to give to these activities the whole substantive support of the UNCTAD Secretariat and not to add any further machinery to what already exists". The Board, "having regard to the need to avoid unnecessary duplication of efforts" welcomed the statement of the Secretary-General and recommended to the Secretary-General of the United Nations and to the UNDP to ensure that the services available in UNCTAD are so utilized in the consideration of requests for developing countries and in their execution of such requests in the field of export promotion and invisibles including shipping, insurance and tourism.

B. FOOD AND AGRICULTURE ORGANIZATION

The Committee on Commodity Problems met from 6 to 17 June and besides discussing the general world agricultural commodity situation, undertook a detailed examination of the work carried out by the different Commodity Groups. In March 1966, the Study Group on Bananas held its third session in Rome and adopted a work programme which includes periodic reviews of the market situation and the developments in trade policy.

The Committee on Commodity Problems decided to create a Study Group on Hard Fibres, which met for the first time in September 1966.

The Committee was informed that the FAO commodity projections for 1975 and 1985 referred to 99 countries, accounting for 96 per cent of the world population, and will be distributed within a few months.

C. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Special Group on Trade with Developing Countries

The Council of OECD, meeting at ministerial level in November 1965, recognized the great importance of increasing the export proceeds of developing countries and decided to undertake in the Organisation a study of the problems regarding trade between developed and developing countries with a view to formulating constructive and concerted policies.

Some weeks later, the matter was referred for study to a Special Group composed of senior trade officials of four OECD member countries.
In the ensuing months the Special Group pursued its studies and examined in particular ways and means of encouraging exports of manufactures and semi-manufactures from developing countries to the markets of developed countries. Without prejudice to the position of principle that member governments might take in regard to a temporary departure from the rule of most-favoured-nation treatment, the Special Group considered possibilities of granting special tariff treatment to imports of such products. To date, these studies have not yet led to any conclusions or proposals. The Special Group has submitted to the OECD Council an interim report on the progress of its work, suggesting a prolongation of its mandate. The report will be put before the OECD Council, together with any comments made by the Trade Committee on this matter, at its next ministerial meeting to be held at the end of November 1966.
ANNEX

Status of Governments with Respect to Part IV

Contracting parties which, to date, have accepted the Protocol introducing Part IV:

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Countries which have acceded provisionally to the GATT and have accepted the Protocol introducing Part IV:

| Iceland            | Tunisia      | United Arab Republic |

Contracting parties which have subscribed to the Declaration of 15 December 1965 prolonging the de facto implementation of the amendments provided for in the Protocol introducing Part IV:

| Austria            | Greece       | Netherlands |
| Belgium            | Italy        | Portugal    |
| Chile              | Luxemburg    | Uruguay     |
| Germany, Federal Republic |          |            |

Argentina, which has acceded provisionally to the GATT, has also subscribed to the Declaration of 15 December 1965.

Three other contracting parties, namely the Dominican Republic, Haiti and Upper Volta, which subscribed to the original Declaration (8 February 1965) on de facto implementation, have not so far subscribed to the prolongation.