PROCEEDINGS OF THE EIGHTEENTH SESSION

Prepared by the Secretariat

1. The eighteenth session of the Committee on Trade and Development was convened on 20 July 1971. The Committee approved the draft annotated agenda (COM.TD/W/141) which contained the following items:

   I. Preliminary report of the Group of Three
   II. Implementation of Part IV
   III. Work of subsidiary bodies
   IV. Work of other GATT bodies
   V. Other matters

2. In connexion with "Other matters", representatives of developing countries indicated that they would wish to take up the question of enlargement of the EEC, the organization of the work of the Committee on Trade and Development and its subsidiary bodies, the rôle of multinational corporations in international trade, and the application of Article XIX as it affects developing countries.

3. Preliminary report of the Group of Three

The Chairman recalled that at the January 1971 meeting of the Committee, it was decided to establish a "Group of Three" comprising the chairmen of the CONTRACTING PARTIES, the Council and the Committee on Trade and Development respectively. The Group was requested to present proposals for concrete action that might be taken to deal with trade problems of developing countries, having regard to the provisions of GATT, the relevant conclusions of the CONTRACTING PARTIES and past discussions in GATT committees and bodies.

4. He suggested that the Committee might wish to make comments on the preliminary report of the Group of Three (W(71)2) which had been issued at the end of April 1971 and indicate any reactions or underline specific points of interest or put forward suggestions that might be taken into account by the Group in its future work. So as to be in a position to commence a further round of informal consultations in
mid-September, the Group had invited comments from developed countries on its preliminary report by 1 September. It was expected that it would be possible for the Group to issue its final report by mid-October for consideration by the Committee on Trade and Development at a meeting provisionally scheduled for 8 November 1971.

5. Representatives of developed countries felt that the report would form an important basis for making further progress towards resolving the trade problems of developing countries. Although not in a position to comment on all the recommendations contained in the report, representatives of some developed countries indicated their governments' support for the elimination of quantitative restrictions on imports of industrial products (other than cotton textiles) of interest to developing countries. Some of these representatives also considered that limited action on temperate zone products of interest to developing countries pending multilateral negotiations might be worth exploring to identify areas where some movement may be possible. The setting up of a group to examine the textile problem was supported by many of these representatives. Support was also given by some representatives of developed countries for the reduction and elimination on a multilateral basis among developed countries of restrictions on non-tropical fruit and vegetables of interest to developing countries as well as for the reduction and elimination on the same basis of duties on tropical products. Representatives of several developed countries said that they would continue to work for the negotiation of an International Cocoa Agreement.

6. In connexion with the specific recommendations addressed to individual countries, representatives of developed countries advised that these were being closely examined in their respective capitals. Detailed comments on all the relevant points contained in the report would be provided to the Group of Three in response to its request.

7. Representatives of most developing countries said that they were heartened by the positive statements made by representatives of developed countries. It was considered by these representatives that the report contained a modest and reasonable approach to a number of developing country problems which should be capable of implementation without undue difficulty. Their understanding was that although the report was preliminary in nature, most of its substantive recommendations were likely to be maintained although there was the possibility of additional recommendations being included. Representatives of certain developing countries referred to particular recommendations which were specially relevant to their trade in specific products. Emphasis was laid on the importance of primary commodities in their export earnings and among other things, the hope was expressed that attention would be given to the removal of import duties and other restraints on trade in these products in their raw, semi-processed and processed forms. The hope was also expressed that positive results would flow from the final recommendations that would follow consultations to be held by the Group with individual developed countries in the autumn.
8. The representative of one developing country considered that the report was modest and contained a bare minimum of recommendations. His delegation believed that there were a number of serious problems which the preliminary report did not cover. A more comprehensive approach was needed to enable GATT to make a useful contribution to the objectives of the Second Development Decade.

9. Representatives of some developing countries made suggestions which they hoped the Group would take into account in its future work. One representative hoped that those developed countries maintaining wine monopolies would provide specific quotas at reasonable levels for wine exporting developing countries. With regard to the recommendation contained in paragraph 22, some representatives suggested that the Group might examine more carefully the question of import duties and internal charges on coffee and tea as it was considered that arguments applicable to the tropical products specifically referred to in the report were equally relevant to these products. In connexion with the proposal for a major examination of the textile problem (paragraph 34), the representative of a developing country considered that at this stage the study should be confined to cotton textiles, the trade problems of which should be examined on a priority basis and in depth.

10. The representative of a developing country considered that the recommendation contained in paragraph 14 concerning the removal of quantitative restrictions at least for all products covered by the generalized system of preferences, was a narrow and limited approach as many products subject to import restriction had been excluded from the preferential arrangements. Some representatives of developing countries suggested that the time had come for contracting parties to consider individual and joint action to dismantle quantitative restrictions against developing country products on a preferential basis as part of action to be taken in advance of any comprehensive negotiations that might take place among developed countries for the removal of such barriers. While agreeing with the proposal for priority action towards the dismantling of quantitative restrictions affecting products of export-interest to developing countries, the representative of one developed country considered that the appropriate course was for this to take place within GATT on a multilateral basis and not on a preferential basis.

11. The Chairman thanked representatives for their comments and suggestions on the preliminary report which he assured would be given due consideration in the future work of the Group. He recalled the agreement reached at the January session of the Committee, that the Committee on Trade and Development and its subsidiary bodies should continue to seek solutions to the longer-term problems of developing countries concurrently with the work of the Group of Three.

II. Implementation of Part IV

Recent developments relevant to the implementation of Part IV

12. Representatives of developed countries stated that they would be submitting to the secretariat full details of measures taken in connexion with the implementation of Part IV for consideration at the autumn session of the Committee. Some representatives were able to provide preliminary comments.
13. With regard to the generalized system of preferences for developing countries, the representative of Japan indicated that the necessary administrative regulations had been promulgated by his Government on 9 July and the scheme would be implemented on 1 August 1971. The representative of Switzerland stated that one of the Swiss Chambers, the National Council, had approved the scheme in June and that the Council of the States would consider it in September. It would then be necessary to observe the statutory waiting period of three months during which a referendum could be called for. The Swiss authorities hoped to be able to bring their system of tariff preferences into effect at the end of that period. The representative of the United Kingdom indicated that the system of tariff preferences including the undertaking to implement the scheme as soon as possible in 1971 had his Government's full support. The representative of Czechoslovakia stated that his Government expected to be in a position to introduce the generalized system of preferences as from the beginning of 1972. The representative of Sweden said that his Government hoped to implement its system of preferences for developing countries by 1 January 1972.

14. In connexion with action taken on products of interest to developing countries, the representative of Japan stated that quantitative restrictions which were removed on twenty-six items as from 30 June included certain fruits, vegetable oils, black tea, tungsten and certain items of leather. Japan had implemented its final reduction of tariff concessions under the Kennedy Round on 1 April and on the same date had reduced duties on some other products including bananas (reduced seasonal rates), horsemeat, dried dates and some improved forms of natural rubber.

15. The representative of Sweden announced that the Swedish tax on furskins and manufactures thereof (BTN Nos. ex 42.03, 43.02, 43.03, ex 60.05, ex 61.01, ex 61.02 and ex 65.03-65.06) would be abolished as from January 1972. In addition the sales tax on knotted carpets, pearls and precious stones, articles of precious metals etc. and articles of pearls and precious stones (BTN Nos. 58.01, ex 71.01, 71.02, 71.03, 71.12, 71.13, 71.14, 71.15, and ex 91.01) would be abolished as from 1 July 1972.

16. The representative of the United Kingdom stated that during the period under review his Government had implemented the third stage of Kennedy Round concessions, extended the suspension of the duty on tea to 30 June 1972 and removed the import duties on the following items: whole apricot kernels as from 4 February 1971; tomato pulp and paste from 4 March 1971; certain provisionally preserved gherkins, olives, capers, sweet peppers, certain dried garlic and sweet peppers (BTN 07.03 and 07.04) from 3 June 1971; end grain sorghum from 1 July 1971. In addition, it had recently been announced that the purchase tax on a large range of items, including some of interest to developing countries (e.g. chocolate confectionery) was being reduced. The quota levels on cotton textiles were increased by 1 per cent on 1 July 1971 and import restrictions on gold medals, medallions, tablets and coins removed from 31 March 1971. The import deposit scheme was terminated on 4 December 1970.

Details are contained in GATT document L/3548 dated 21 July 1971.
17. The representative of the Netherlands indicated that his Government had reduced the value-added tax on cocoa and cocoa products from 12 per cent to 4 per cent on 1 January 1971.

18. In noting the preliminary information provided by representatives of some developed countries, representatives of developing countries expressed satisfaction at the quick action by contracting parties in granting the necessary waiver from the most-favoured-nation rule of Article I in order to authorize the introduction of the generalized, non-discriminatory preferential tariff treatment for products originating in developing countries.

Arrangements for the annual review of the implementation of Part IV

19. It had been suggested that in connexion with this year's review consideration might be given to reporting on action taken by contracting parties in pursuance of the recommendations made by the Group of Three and that the review might be made more meaningful if countries were to report not only on what positive measures they may have taken but also give reasons (such as social or legal) why barriers are maintained and any consideration that is being given to dealing with those barriers through individual or joint action.

20. With regard to the first suggestion, representatives of some developed countries referred to the timing difficulty in providing a written report to the autumn session of the Committee on action taken in connexion with the report of the Group of Three. It might, however, be possible to make a preliminary oral report to the autumn session and a more substantive report to the following meeting of the Committee. Representatives of some other developed countries considered that, to the extent possible and having regard to the limitations of time, details of action relevant to the report of the Group of Three could be provided in connexion with the implementation of Part IV. The representative of another developed country believed, however, that a matter of this importance should not be lost in the Committee's discussion of Part IV implementation, but should be considered separately under the agenda item dealing with the Group's report.

21. As to the second suggestion, representatives of most developed countries pointed out that such a procedure could result in overlapping of work in subsidiary bodies of the Committee and in other GATT organs. The representative of one developed country suggested that developing countries might identify the trade barriers that were of greatest concern and bring them to the attention of the Committee for consideration. The representative of another developed country suggested that contracting parties maintaining quantitative restrictions on the twenty-one items selected for intensive study by the Group on Residual Restrictions (indicated by the symbol D in Annex IV of L/3391/Rev.1) should report annually in their Part IV notifications on measures taken to reduce restrictions on those products. Representatives of developing countries felt that it would be useful to know the reasons why restrictions could not be eliminated, particularly as extensive studies had been carried out in the sub-groups of the Committee including the Special Group on Trade in Tropical Products and certain problems had been identified.
22. Speaking as a member of the Group of Three, the Chairman said that in his view action which it was hoped would be taken in connexion with the report of the Group was relevant to the implementation of Part IV. The introduction of the generalized system of preferences would be another important aspect of implementation. It appeared to him that while the exchange of views on the possible widening of the scope of the annual review had not resulted in agreed conclusions, developed countries might wish to consider providing comments on their possibilities to take action on particular problems which developing countries might raise in the context of the review.

III. Work of subsidiary bodies

23. The Committee took note of the background documentation prepared for the work of its subsidiary bodies during the autumn months.

IV. Work in other GATT bodies

24. With reference to the tariff study, the representative of a developing country outlined developments of interest to developing countries in the Working Party on the Tariff Study, and suggested that as these were aspects of particular importance to developing countries, they should participate more actively in its work.

25. As regards those aspects of non-tariff barriers on which work was at present proceeding, representatives of developing countries suggested that interim solutions should be possible in the field of valuation practices, especially in regard to the problem of countries using current domestic value as well as value prevailing in the exporting country for valuation purposes.

26. The Committee noted that the next meeting of the Group on Licensing will undertake an extensive examination of licensing systems on a country-by-country basis against the background of replies to a questionnaire, circulated as COM.IND/W/55 and addenda. Representatives of some developing countries proposed that licensing procedures affecting developing countries should be dismantled on a priority basis as overall solutions were likely to take some time to reach. In this connexion reference was made to Annex III of COM.IND/W/49 which contained certain suggestions.

27. The representative of a developing country pointed out that a very preliminary examination of the replies to the questionnaire on licensing highlighted a number of problems of concern to developing countries and suggested that developing countries should be exempted from licensing requirements of an administrative nature such as liberal licensing, administrative quota and automatic quota arrangements etc. For all kinds of goods exported by developing countries, licences should be issued for a sufficiently long and uniform period to meet the needs of developing countries who were peripheral and sometimes non-traditional suppliers and in circumstances where difficulties arise in arranging shipment within the period stipulated, provision should be made either to extend the validity of the licence or for the transfer of the quota allocated to a subsequent period without debiting the quantity involved against the new quota period. This
representative indicated that he would put forward more specific and precise proposals when the Group on Licensing resumed its work in the autumn.

V. Other matters

**Enlargement of the EEC**

28. Representatives of some developing countries stated that they had been following the negotiations for enlargement of the EEC with considerable interest and they would like to be assured that in connexion with enlargement no measures would be applied which might affect the trading position of developing countries. Furthermore, it was considered that in the process of enlargement equality of treatment should be accorded to developing countries. It was noted that the main terms connected with possible entry of the United Kingdom had been tabled recently in the British Parliament for consideration, public reflection and debate. Because of the significance of these events for developing countries, the subject was of particular interest to the Committee on Trade and Development and a discussion of the implications of EEC enlargement should, in their view, take place at the next meeting of the Committee. For this purpose, it was suggested that the secretariat might prepare a background note based on available information.

29. Representatives of some developed countries considered that it would be premature to discuss the question of EEC enlargement because the full terms of entry had not been finalized and negotiations with applicant countries were still continuing. These representatives indicated that the results of the negotiations would be communicated to GATT in due course for action under the appropriate procedures. The spokesman for a group of developed countries also stated that in the negotiations for enlargement of the EEC which are proceeding due consideration was being given to the interests of developing countries.

30. Representatives of some developing countries felt that time was needed for reflection on the various points raised and indicated that they might wish to raise the matter again at the next meeting of the Committee.

**Organization of work of the Committee on Trade and Development**

31. Representatives of some developing countries suggested that while there should continue to be some flexibility in the convening of meetings, consideration might be given to the drawing up each year of a provisional calendar of meetings for the work of the Committee and its sub-groups in the subsequent year, including some indication of the subjects likely to be discussed. This would help particularly countries with relatively small delegations to participate more effectively in these meetings. These delegations also considered that meetings of the Committee on Trade and Development of one-day duration were often insufficient to do justice to the important subjects discussed. It was suggested that depending on the agenda, meetings of the Committee and its sub-groups should normally be scheduled to last for not less than two or three days with some provision for informal contacts between delegations so that efforts to reach a consensus on points under discussion might be facilitated.
32. Representatives of some developed countries generally supported and sympathized with the points raised by representatives of developing countries in connexion with the timing of meetings. On the part of the secretariat attention was drawn to the fact that the normal rhythm of meetings of the Committee and its sub-groups had been somewhat upset this year by the need to give sufficient time to the Group of Three to carry out its work. Furthermore, efforts to avoid overlapping of meetings with other international organizations had created difficulties in fixing dates. The secretariat agreed that it would be helpful to fix the dates of meetings well in advance and that they should, with due regard to the expeditious handling of business, continue for the length of time needed to bring matters to a fruitful conclusion.

33. The Committee agreed that this subject be placed on the agenda for consideration at its next session.

Rôle of multinational corporations

34. The representative of a developing country recalled a statement by the Director-General of GATT at the informal session of the CONTRACTING PARTIES in April 1971 referring to the growing rôle of multinational corporations as a factor in international trade. This representative suggested that the secretariat might consider the preparation of a short paper on this topic to facilitate an understanding of the implications of the operation of multinational corporations and help in reaching useful decisions with respect to policy measures in the fields of non-tariff barriers, adjustment assistance and reduction of tariffs.

35. The representatives of some developed countries felt that the rôle of multinational corporations was of interest also to other GATT bodies. Time was needed for reflection on this question which might eventually be raised in the Council. The representative of a developed country foresaw difficulties in undertaking a study of this nature: much of the information needed to undertake a study would be difficult to obtain because of its confidential character. Furthermore, he expressed some doubts as to how the outcome of such a study would help governments in taking decisions on trade policy.

36. The Director-General said that he had raised the question in April with a view to ascertaining how contracting parties looked at the matter. For this reason, he found the discussion that had taken place in the Committee most interesting. He further indicated that while no work had been done so far in the secretariat on the rôle of multinational corporations in international trade, some thought would be given to the subject.

Article XIX and developing countries

37. The representative of a developing country noted that Article XIX permitted countries to apply emergency measures on imports of particular products. The application of such measures to imports from all sources could, however, adversely affect exports from developing countries. It was the view of his delegation that
it was discrimination to treat on an equal basis those who are unequal. Exports from developing countries should be exempted from measures applied under Article XIX and this would be in full conformity with the provisions of Part IV of the General Agreement. The representative of a developed country expressed doubt as to the practicality of this suggestion since what was relevant in a situation calling for emergency action was the quantity and conditions of imports causing material injury rather than their source.

38. The Committee felt that time was needed to examine the proposal and it was agreed that the item be put on the agenda for the next session of the Committee.

Conclusion

39. In his concluding remarks, the Chairman expressed appreciation of the frank and forthright discussions which had taken place on a number of matters of great importance to developing countries and which would be of considerable help to the Group of Three in finalizing its report. He hoped that work would continue in a constructive spirit in the Committee and its subsidiary bodies as well as through such informal contacts as might take place on the various subjects discussed.