BACKGROUND NOTE FOR REVIEW OF IMPLEMENTATION OF PART IV
AND OPERATION OF THE ENABLING CLAUSE

Note by the Secretariat

1. In accordance with its terms of reference, the Committee on Trade and Development is required to keep under continuous review progress made in the implementation of Part IV of the General Agreement. In the light of this requirement, the Committee undertakes, at least once a year, a full review of the implementation of Part IV on the basis of notifications submitted by contracting parties. In between full reviews, the Committee examines developments relating to the implementation of Part IV on the basis of a secretariat note and such additional information as may be provided by delegations in the course of its meetings.

2. The Committee also undertakes, on a regular basis, reviews of the operation of the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (also known as the Enabling Clause) in accordance with the Committee’s primary responsibility for supervision of the implementation of that Decision. The last major review of the implementation of Part IV and of the operation of the Enabling Clause was undertaken by the Committee at its forty-second session in November 1980. A subsequent review with respect to these matters was carried out at the March 1981 meeting of the Committee when a number of delegations provided information on actions taken or contemplated by their governments relevant to the implementation of Part IV and to the operation of the Enabling Clause (COM.TD/107, paragraphs 49-53).

3. The secretariat has made an effort to bring together in this note information on certain actions which have been taken by contracting parties since the meeting of the Committee in November 1980 relevant to the implementation of Part IV and the operation of the Enabling Clause. In addition to the material provided below, certain other GATT activities have a bearing on the implementation of Part IV. Thus, delegations may wish to refer to summaries of discussions in the GATT Council on various measures covered by the relevant documentation, to developments in connexion with the Textiles Arrangement and to the work of the UNCTAD/GATT International Trade Centre.

4. Section I provides information on commercial policy measures, other than those referred to in documents COM.TD/SCPM/W/5-9, which contain a number of notifications by governments to the third session of the Sub-Committee on Protective Measures,
as well as certain additional information provided by the secretariat.\footnote{The report of the third session of the Sub-Committee is available in document COM.TD/SCPM/3.} For an overall view of developments that could be relevant in relation to Part IV the information in Section I should be read with documents COM.TD/SCPM/W/5-9 which cover the introduction by the countries indicated of a number of measures such as tariff increases, quantitative restrictions and export restraints, minimum price provisions, increases in price supplements etc. affecting certain products of interest to developing countries. In Section II, the secretariat has summarized available information on developments with regard to the Enabling Clause since the November 1980 meeting of the Committee in accordance with the agreement at the March 1980 session of the Committee that the secretariat should provide for reviews of the Enabling Clause such information as would be useful and supplementary to that notified by governments. Section III - Developments in Other GATT Bodies of Interest in Relation to Part IV - is intended to respond to the general understanding in the Committee at its thirty-ninth session that the work on the review of the implementation of Part IV should be reinforced generally in accordance with the suggestions in paragraph 12 of COM.TD/102 (L/4876, paragraph 35). These included, inter alia, an overall review of developments in different GATT bodies and of the implementation of MTN results with respect to the interests of developing countries. Activities in other international organizations relevant to Part IV are summarized in the Annex.

SECTION I

COMMERCIAL POLICY MEASURES

5. Australia is phasing the duties on drums, drum kits, guitars and necks and bodies for guitars down to 15 per cent over a three-year period. In addition, with effect from 1 October 1980, duties on certain other musical instruments and parts and accessories therefor were reduced to minimum rates (i.e. either zero or zero plus 2 per cent). As of 19 October 1980, import duties on certain games falling under tariff item 97.04.200, certain sporting goods falling under tariff item 97.06.100 and certain fishing equipment falling under tariff item 97.07.200 were reduced from 41 per cent to 35 per cent. Import duties on certain articles of jewellery, goldsmith's and silversmith's wares falling under tariff items 71.12.900, 71.13.900, 71.15 and 71.16.900 were reduced from 34 per cent to 30 per cent on 20 December 1980. With effect from 1 January 1981, import duties on sacks and bags of a kind used for the packing of goods, of man-made fibre materials, not being woolpacks (62.03.1) were reduced through the removal of the specific charge previously levied on these items in addition to the ad valorem tariff.
of 35 per cent which remains unchanged. As of 1 April 1981, the primage duty of 10 per cent on manufactured tobacco was incorporated into the substantive duty and a system providing for a duty rebate on imports of manufactured tobacco falling within tariff item 24.02.9 contingent upon purchase of specific quantities of Australian leaf introduced. The rebate is 10 per cent per kilogram of imported tobacco for each kilogram (green weight) of Australian leaf purchased.

6. Under Council Regulation No. 3182/80 the European Communities opened its annual duty-free quota on certain handmade products for the year 1981. A Community tariff quota of a volume corresponding to ECU 10,000,000 has been fixed, with a sub-limit of ECU 1,200,000 for each tariff heading or sub-heading listed in the Regulation. A first instalment has been allocated to member States, the balance being kept as a reserve for use by member States when they have utilized their initial share. The Community has also established duty-free quotas for raw silk (50.02), silk yarn, other than of noil or waste silk (ex 50.04), yarn of waste silk (50.05A) and certain hand-woven fabrics, pile and chenille (ex 50.09, ex 55.07, ex 55.09 and ex 58.04) for the period 1 January to 31 December 1981. By Regulation No. 3329/80 of 19 December 1980, the European Communities extended the period of validity of the system of retrospective control of imports of footwear for a further year to the end of 1981.

7. An Agreement between the EEC and Bangladesh on trade in jute products, signed on 20 November 1980 and covering the period 1 January 1980 to 31 December 1983, provides, inter alia, for duty-free treatment for imports of all jute products from Bangladesh under the Community's GSP. Bangladesh has undertaken to restrain its exports of certain woven fabrics, and the EEC to eliminate all quantitative import restrictions on jute products by the end of 1983. The Agreement established a Joint Co-operation Committee with broad responsibility in the field of production, research and product promotion of jute and jute products. The Agreement entered into force on 1 March 1981.

8. On 1 April 1981, the European Communities agreed on the main principles of a new market organization for sugar, applicable for a five-year period from 1 July 1981. This essentially makes provision for a production quota system with modulated guarantees and financial participation by producers in the cost of disposing of surpluses. The total of A quotas agreed to amounts to some 9.52 million tonnes (white sugar) and that of B quotas to some 2.24 million tonnes (white sugar). Provision is made for the possibility of a revision of A and B quotas for the marketing years 1984/1985 and 1985/1986. A basic production levy of 2 per cent on A and B quota sugar is established. The maximum rate for the B quota sugar levy is set at 30 per cent (i.e. total maximum charge on B quota sugar of 2 per cent plus 30 per cent). If there is a balance of financial losses not covered by the proceeds of the levy, the levy on B quota sugar would be raised for the following year by an additional percentage of up to 7.5 per cent. The basic price for
sugar beet and the intervention price for white sugar for the 1981/82 marketing year were increased by 8.5 per cent.

9. Greece terminated, as from 15 November 1980, its system of voluntary import limitation introduced on 25 April 1980 (L/5096). The prior import deposits in force in Greece were reduced by 25 per cent as of 1 January 1981 (L/5114).

10. Italy introduced, with effect from 28 May 1981, a mandatory exchange deposit scheme. Payments in foreign currency can only be made against a prior non-interest bearing deposit with the Bank of Italy, tied for a period of three months. The deposit is 30 per cent of the lira equivalent of the payment or request for foreign currency. There are a number of exemptions from the scheme including imports of grain, crude oil and petroleum products and foreign newspapers and magazines. The measures are scheduled to remain in force until 30 September 1981.

11. Finland has extended the minimum import price (mip) of Fmk 1.60 on ladies tights (CCCN No. 60.04 A) for a further one-year period beginning 1 January 1981. Finland is not at present collecting any extra duty on tights imported at prices below the mip, but is using the measure for surveillance purposes.

12. With effect from 1 April 1981, Japan, has reduced import customs duties on manufactured tobacco products falling under CCCN heading 24.02. The Japanese Government promulgated on 11 October 1980 amendments, in the form of seven Cabinet Orders, to consolidate and revise earlier Cabinet Orders to bring them into line with the new Foreign Exchange and Foreign Trade Control Law which had been promulgated on 18 December 1979. Among the main features of the amendments to the Export and Import Control Orders are: the abolition of the export validating system; simplification of export permit procedures; abolition of the import validating system; simplification of import licensing procedures; simplification of other import control procedures (abolition of restrictions on the means of payment and of the obligation to recover foreign currency-denominated credits given under an import contract). Changes were also made to the Foreign Exchange Control Order to bring it into line with the amended Foreign Exchange and Foreign Trade Control Law.

13. The New Zealand Government introduced in January 1981 an Import Licensing Tendering Scheme. This Scheme operates separately from and in addition to the existing Import Licensing System. It provides for additional licences by means of tender in the general area of consumer goods, which had been subject to relatively strict import licensing control. The Scheme is intended to operate initially for two years with a total licence allocation of up to
$NZ 18 million in 1981 with a slight increase in 1982. Under the New Zealand Import Licensing Schedule 1981-82, effective 1 July 1981, the basic allocation for both consumer and non-consumer goods has been set at 125 per cent of 1980-81 licences in value terms. This increase is intended to provide for a modest increase in the volume of imports of licensed items in 1981-82. For those few items where allocations are set in volume terms, the increase is 5 per cent. Further exemptions from import licensing control are provided for in the 1981-82 schedule. They include: textured vegetable protein; petroleum coke; concentrated sulphite lye; man-made fibres (discontinuous or waste) carded, combed or otherwise prepared for spinning; certain textiles especially suited for hospital use; umbrella loops and bands; knitting machines, industrial; television cameras; electronic filament lamps and electric discharge lamps; certain tractors; electro-magnetic, electrostatic, electronic and similar musical instruments (excluding organs); television image and sound recorders and reproducers; tapes, video, blank; tapes, designed or suited for use with data processing equipment; certain cartridges; worked tortoiseshell, mother-of-pearl, ivory, bone, coral (natural or agglomerated) and other animal carving material and articles of those materials; worked vegetable or mineral carving material and articles of those materials; moulded or carved articles of wax, of stearin, of natural gums or natural resins or of modelling pastes, and certain other moulded or carved articles. Certain items given a C + 50 per cent allocation in 1980-81 (i.e. 50 per cent of previous years licences plus individual consideration of further licence application) to facilitate a review of licence holding therein, have been converted into full basic allocations of 125 per cent for the 1981-82 licensing year. They include other sugar and sugar confectionery; cocoa, etc., including chocolate confectionery; other printed matter of Tariff Chapter 49; cast, rolled, drawn or blown glass, etc.; electric lighting glass ware; radio broadcast receivers; spare and essential parts and accessories for cycles, etc. A number of items previously on "C" allocation (individual consideration of licence applications) have been given a full allocation of 125 per cent of 1980-81 licences. These include certain fish; rice in retail packs; cereal flours, etc.; copra; linseed; oleo oil, not emulsified; glucose; extracts of coffee, etc.; iron or steel wire, etc.; gauze; cloth, grill, netting, etc.; wrought aluminium bars, etc.; washing machines, drying machines, etc.; carpet sweepers; floor polishers, etc.; and certain rulers.

14. Norway informed the CONTRACTING PARTIES in a communication dated 18 November 1980 that the system of global import quotas on various textile items has been prolonged for 1981. The global quotas correspond to the quotas established for imports in 1980 (L/4692/Add.5). Norway has increased the internal tax rates applicable to chocolate goods and confectionery to NKr 7 per kg. of the goods taxable weight, with effect from 1 April 1981.
15. Sweden has revised the rate of the "special internal tax on goods" applicable to chocolate and certain articles falling under tariff heading 18.06 and to certain biscuits and wafers containing chocolate falling under tariff heading 19.08 as well as the compensatory tax on chocolate levied on the chocolate content of other biscuits and wafers falling under tariff heading 19.08 from Skr 220 per 100 kgs. to Skr 500 per 100 kgs.

16. Switzerland has reduced import duties, with effect from 1 May 1981, on unsweetened cocoa powder (18.05.01) from Sw F 40 per 100 kgs. gross to Sw F 28 per 100 kgs. gross and on extracts and essences of coffee, tea, etc. (21.02.10) from Sw F 270 per 100 kgs. to Sw F 260 per 100 kgs. Import duties were also reduced on edible onions, peppers from 1 November to 31 March and cauliflowers (ex 07.01), lemons (ex 08.02), certain nuts (ex 08.05), certain processed spices (ex 09.10), hop cones and lupulin (12.06), certain vegetable extracts, etc. (ex 13.03), stearin and other fatty acids (15.10), distilled glycerine (ex 15.11), preparations based on goose-liver (ex 16.02), lactose and glucose (ex 17.02), and certain prepared or preserved fruit (ex 20.06).

17. The United States has increased the import quota on peanuts (groundnuts) to 300 million lb. (approximately 136,000 metric tons) for the period ending 31 July 1981, from the normal annual quota level of 1.7 million lb. The increased quota was opened because of a large shortfall in United States peanut production in 1980.

SECTION II

DEVELOPMENTS WITH RESPECT TO DIFFERENTIAL AND MORE FAVOURABLE TREATMENT UNDER THE ENABLING CLAUSE

18. Notifications made to the CONTRACTING PARTIES of relevance to paragraph 4(a) of the Enabling Clause since the last meeting of the Committee are as follows:

(i) Changes to GSP schemes: Australia - L/3982/Add.15; Austria - L/4108/Add.11; Canada - L/4027/Add.14 and Add.15; European Communities - L/5116; Finland - L/3694/Add.11 and Add.12; Hungary - L/5141; New Zealand - L/4366/Add.8/Corr.1 and Add.10; Norway - L/4242/Add.17 and Add.18; Sweden - L/4472/Add.4; United States - L/5153;

(ii) Other notification made with reference to the Enabling Clause: South Pacific Regional Trade and Economic Cooperation Agreement - L/5100.

19. In the paragraphs that follow, the secretariat has attempted to summarize, for the convenience of the Committee, the main features of the above notifications and to provide such other information available to it that may
be relevant to a review of the operation of the Enabling Clause. The information below is intended to facilitate the Committee's review and is provided without prejudice to the legal or other position of any contracting party on the matters referred to in relation to the provisions of the Enabling Clause and of the General Agreement.

(a) **Generalized System of Preferences (GSP)**

20. Australia has introduced a number of modifications in its Generalized System of Preferences. With effect from 19 September 1980, India was excluded from the developing country margin of preference on imports of oval-shaped, inflatble leather footballs falling within tariff item 97.06.1. As of 4 December 1980, India was excluded from the developing country margin of preference in relation to files and rasps falling within tariff items 82.03.3. As part of its decision on the Industries Assistance Commission's Report on Electric Motors, Generators and Rotary Converters, the Australian Government decided that, with effect from 1 October 1980, the existing developing country quotas for certain goods falling within tariff item 85.01.11 and 85.01.12 would be terminated and that a new quota arrangement would be introduced for certain alternating current electric motors falling within tariff item 85.01.12. Effective 4 December 1980, the developing country margin of preference was increased on fatty alcohols of tariff item 15.10.100 (developing country tariff reduced from 15 per cent to free); on beer containing more than 1.15 per cent by volume of alcohol of tariff item 22.03.100 the developing country tariff was reduced from $A 0.547 per litre to $A 0.52 per litre; on fluorspar of tariff item 25.31.100 the developing country tariff was reduced from $A 2.22 per ton to free; and on wriststraps of leather or of composition leather falling within tariff item 42.03.400 the developing country tariff was reduced from 15 per cent to 10 per cent. The extension of the Australian GSP to most textile, clothing and footwear products, notified in document COM.TD/SCPM/W73 of 24 October 1980 was put into effect on 1 January 1981. The preference margin will be applied to the existing general tariff rates until 31 December 1981, after which they will be applied to the new general tariff structure for textile, clothing and footwear products, which will come into effect on 1 January 1982. The Australian Government has announced that, from 20 January 1981, hides, skins and furskins of any kind, raw or semi-processed up to and including the wet blue or an equivalent stage would be dutiable at an MFN rate of Free plus the 2 per cent revenue duty, with a GSP rate of Free. The same rates would apply to leather parings and other waste and leather dust, powder and flour. Other leather and furskins will be dutiable at an MFN rate of 15 per cent and a GSP rate of 10 per cent. On 8 April 1981, the Australian Government decided that the GSP rate on most iron and steel products would be set at Free or phased down to Free. The margin of preference will generally be 5 or 10 percentage points. In a few cases, phasing arrangements will result in an initial increase in the GSP rate. India, excluded in 1978 from the GSP on certain steel pipe and tube (within tariff classification 73.18.9),
became eligible for preference on these products again as from 8 April 1981. From 8 April 1981, the GSP rate was reduced to Free on metal cans and canisters of iron or steel falling within tariff classification 72.23, except for jerricans exceeding 15 but not exceeding 25 litres capacity, to which the MFN rate will continue to apply. The Australian Government announced on 31 December 1980 that Greece would no longer be considered a developing country for the purposes of the Australian GSP from 1 January 1981, when it acceded to the European Communities. However, to allow goods already in transit or in bond to enter Australia at GSP rates, implementation of the decision was deferred until 1 March 1981 (L/3982/Add.15). With effect from 9 April 1981 Hong Kong was excluded from developing country preference on goods falling within tariff item 55.09.62.

21. With effect from 1 January 1981, Greece has been deleted from the list of beneficiaries under the Austrian Generalized System of Preferences (L/4108/Add.11).

22. With effect from 18 September 1980, the Republic of Zimbabwe has been included in the list of beneficiary countries of the Canadian Generalized System of Preferences (L/4027/Add.14). As from 1 June 1981, Canada no longer applies its GSP to imports from Greece (L/4027/Add.15).

23. Following a review of its GSP scheme applied in the 1970's, the European Communities have decided to extend the scheme with certain revisions for a further ten years with effect from 1 January 1981. Upon its accession to the EEC on 1 January 1981, Greece began to apply the Community scheme; under the provisions of the Act of Accession, Greece will fully apply the scheme after a five-year transitional period. Zimbabwe has been included in the list of beneficiaries. Under the revised scheme the system applicable to industrial products (CCCN Chapters 25-99) except textiles, has been modified with the aim of simplifying the scheme, and facilitating the differentiation of the advantages granted according to the degree of development or competitiveness of the countries concerned. Product categories for the control of industrial imports under the GSP have been reduced from four to two, i.e. sensitive items and non-sensitive items. With regard to sixty-four sensitive items, the previous system for the control of imports under the GSP, i.e. global quotas and ceilings, and maximum country amounts, has been replaced by the system of individual (i.e. country-by-country) quotas and ceilings. In most cases, the amount of individual quotas or ceilings for 1981 corresponds to the maximum country amount for 1980; in some cases, the quotas or ceilings have been reduced. GSP imports of certain sensitive items from the most competitive suppliers have been put under individual country "quotas". GSP imports from other beneficiaries and of other sensitive items have been put under individual "ceilings". "Quotas" are divided between different importing member States, but "ceilings" are controlled only at the Community level. Once a tariff quota for a beneficiary country has been exhausted, an m.f.n. duty will be imposed automatically on imports of the item from the beneficiary country. However, in cases where a ceiling has been reached, the imposition of an m.f.n. duty on imports from the beneficiary
country concerned is optional and will be made on the Commission's own initiative or at the request of one or more EEC member States. A great majority of products in the "non-sensitive" category will continue to be subject to three-monthly statistical surveillance. But in some cases where the products are potentially sensitive, monthly monitoring has been instituted so that, in the event of a sudden surge in imports, action to reimpose m.f.n. duties can be more swiftly taken. GSP duty-free treatment for jute products which applied to imports originating in India, Bangladesh and Thailand has been extended to imports from Nepal and other least-developed countries. Likewise, GSP duty-free treatment for coir products from India and Sri Lanka has been extended to imports from least-developed countries. Under the 1981 scheme, least-developed countries have been granted exemption from duty without quantitative limits with respect to industrial products, textiles and agricultural products (except tobacco and pineapples). For processed agricultural products, the following improvements have been made: an increase in the preferential margin for some forty products already included in the scheme and the inclusion of some additional products—certain fruit, thyme, bay leaves and fish meal (the GSP on fish meal applies only to least-developed countries). As in the case of industrial products, quotas and ceilings have been raised by 2 per cent to take account of the entry into the Community of Greece (L/5116).

24. As from 15 November 1980, the Republic of Zimbabwe has been included in the list of beneficiary countries of the Finnish GSP scheme. From the same date, fishing nets, in the length (ex 58.08) and fishing nets and netting made of twine, cordage or rope, and made-up fishing nets of yarn (ex 59.05) have been withdrawn from the GSP scheme (L/3694/Add.11). Finland has introduced amendments to its GSP origin rules, with effect from 1 December 1980. They relate to the procedure for importation of GSP goods via EEC countries or preference-giving EFTA countries into Finland and vice-versa. The provisions are similar to those applied by the EEC and preference-giving EFTA countries (L/3694/Add.12).

25. Japan has decided to extend the period of application of its Generalized System of Preferences for a further ten years from 1 April 1981. Under the scheme applicable April 1981-March 1982, the ceilings on industrial products have been increased by a change in the base year for the calculation of those ceilings from 1975 to 1977. Four new agricultural products have been added to the scheme and the preferential rate of duty reduced on one such item already covered. Two items have been removed from the list of selected industrial products benefiting from tariff preferences of 50 per cent of the m.f.n. rate, and have been accorded duty-free treatment. Five items, including silk and cotton yarn, have been excluded from the GSP. A "differential treatment of preferences" clause has been introduced into the scheme, under which a particular beneficiary may be excluded from preferential treatment with respect to a particular product included in the scheme under certain circumstances.
26. Effective 1 July 1980, New Zealand introduced a number of amendments to its GSP scheme. These amendments, resulting from the Textile Industry Study, relate to some 186 CCCN headings (L/4366/Add.8/Corr.1). As from 1 July 1981, Greece has been removed from the list of beneficiaries under the New Zealand GSP (L/4366/Add.10).

27. Norway has modified the rules of origin under its GSP relating to transit arrangements with the European Economic Community and between Norway and other member countries of the European Free Trade Association on the basis of reciprocity (L/4242/Add.17 and 18).

28. As from 1 January 1981, the Republic of Zimbabwe has been added to the list of countries which are beneficiaries of the Swedish Generalized System of Preferences. From the same date, Sweden has also extended duty-free GSP treatment to woven fabrics of jute or of other textile bast fibres falling within customs heading 57.03 except when imported from Bulgaria, the People's Republic of China and Romania (L/4472/Add.4).

29. Following a review of the first five years' operation of its GSP, the United States has introduced a number of modifications to its scheme. As a result of the 1980 GSP product review, forty-eight new items accounting for about US$509 million in imports from beneficiary developing countries have been designated for GSP duty-free treatment. However, of this trade, imports valued at US$67.0 million from the five major GSP countries do not benefit from GSP duty-free treatment, thus reducing the total amount of developing country trade being designated for GSP in this connexion to US$441.8 million. Coats, jackets and vests of down have been withdrawn from the GSP list because of import sensitivity as determined through the annual review process. Imports of these items from beneficiary developing countries in 1980 were valued at US$75.9 million. Under provisions on the removal of a country from GSP eligibility with respect to individual products because of demonstrated competitiveness in those items as determined through the annual review process, Hong Kong has been removed from eligibility for GSP duty-free treatment on eyeglass frames and parts and Korea is ineligible under the competitive need limitations for new tariff classifications to be implemented for steel wire rope and stainless steel cooking and kitchen ware; the countries affected accounted for US$87.4 million in imports of the three products in 1980. Exclusions of exports of individual countries from GSP duty-free treatment for certain products because the competitive need ceilings were exceeded under the 1980/1981 scheme total approximately US$5.6 billion, based on 1980 trade, and include 204 products from the specified countries. Under the provision for redesignation of individual beneficiary developing countries previously excluded from receiving GSP duty-free treatment for particular products due to the competitive need provisions, specified developing countries have been redesignated for GSP duty-free treatment on thirty-two products valued at US$151.5 million, which represents 30 per cent of the total amount of trade eligible for redesignation. The remaining 70 per cent, or twenty-one items valued at US$355.5 million, have not been redesignated, the countries concerned having been "graduated". Under the de minimis provision in the Trade Agreements Act
of 1979, 186 products valued at US$37.8 million in imports from individual beneficiaries have been exempted from the 50 per cent competitive need rule. The Andean Group and ASEAN have been designated as eligible to receive cumulative treatment under the rules of origin of the United States GSP.

(b) Differential and more favourable treatment under GATT multilaterally negotiated instruments concerning non-tariff measures

30. A summary of developments regarding the implementation of the MTN Agreements on various non-tariff measures is contained in Section III of this note.

(c) Preferential arrangements among developing countries

31. The Treaty establishing the Latin American Integration Association (LAIA) signed in Montevideo in August 1980 entered into force on 18 March 1981. Pursuant to the provisions of the Treaty, the Latin American Free Trade Association has been replaced by LAIA. The long-term objective of the Association is the gradual and progressive establishment of a Latin American Common Market. LAIA will aim at increasing and regulating mutual trade, achieving economic complementarities and promoting economic co-operation among the member States. The member States have, inter alia, agreed to establish an area of economic preferences consisting of regional tariff preferences, regional agreements and agreements of limited scope and will grant each other preferences in accordance with agreed regulations.

32. Intra-union trade, providing for duty-free exchange, under the Mano River Union came into effect on 1 May 1981. Goods eligible for intra-union trade between Liberia and Sierra Leone are goods wholly obtained in the member States or produced therein from goods so obtained and goods with a local value-added of at least 35 per cent. With respect to Guinea, which acceded to the Union in October 1980, intra-union trade will take place only for goods wholly produced in the member States.

33. At a meeting of Ministers of ASEAN member States held in October 1980, it was agreed that tariff reductions would be introduced in respect of some 1,500 additional tariff positions as of 24 January 1981 in the context of the Agreement on ASEAN Preferential Trading Arrangements.

34. At a meeting in Addis-Ababa in May 1981, the Ministers of fifteen countries in east and southern Africa adopted a draft for a treaty establishing a preferential trade area in the sub-region. The treaty has to be ratified by the countries concerned before it comes into force.

35. At a meeting of Economic Community of West African States (ECOWAS) heads of State in Freetown, Sierra Leone, in May 1981, agreement was reached to begin the programme of trade liberalization through the lifting of trade restrictions throughout the Community on unprocessed goods and traditional handicrafts. It is intended to eliminate all trade barriers on intra-Community trade and to adopt a common external tariff within a further eight years.
(d) Special treatment for the least-developed countries

36. Document COM.TD/W/LLDC/2, dated 17 June 1981, provides information on recent developments of particular interest to least-developed countries.

(e) Other preferential arrangements in favour of developing countries

37. The South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) entered into force on 1 January 1981 among countries members of the South Pacific Forum. SPARTECA provides on a non-reciprocal basis duty-free, unrestricted or concessional access to the markets of Australia and New Zealand for a wide range of products imported from other Forum Island countries signatories to the Agreement. Australia and New Zealand have undertaken to consider possibilities for assisting participating countries in the fields of export development and trade promotion, industrial development and the development of agriculture, forestry and fisheries. Such assistance would be undertaken within the framework of their bilateral and regional development assistance programmes.

SECTION III

DEVELOPMENTS IN OTHER GATT BODIES OF INTEREST

IN RELATION TO PART IV

The Council

38. The Council met in December 1980, and in March, May and June 1981. The May meeting of the Council was a special meeting on notification and surveillance to review developments in the trading system in accordance with the Council decision on this matter taken in pursuance of paragraph 24 of the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance. At its June meeting, the Council adopted the report of the Working Party on Structural Adjustment and Trade Policy, thereby giving it a mandate to pursue its work on the basis of the proposals annexed to the report, and decided to extend the time-limit for the acceptance of the Geneva (1979) Protocol and the Supplementary Protocol to the end of 1981. Among other matters considered at these sessions of the Council were the ACP/EEC Convention of Lomé, the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA), and various Article XXIII actions relating, inter alia, to EEC refunds on exports of sugar, Japanese restraints on imports of manufactured tobacco, and Spanish tariff treatment of coffee.

1 Australia, the Cook Islands, Fiji, Kiribati, Nauru, New Zealand, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu and Western Samoa.
Committee on Balance-of-Payments Restrictions

39. In May 1981, the Committee on Balance-of-Payments Restrictions held consultations in accordance with the relevant provisions of the General Agreement and the Declaration on Trade Measures taken for Balance-of-Payments Purposes adopted by the CONTRACTING PARTIES on 28 November 1979 with Egypt, the Republic of Korea, Sri Lanka and Yugoslavia, on the basis of the simplified procedures available for balance-of-payments consultations with developing countries. The Committee's reports on these consultations were adopted by the Council in June 1981.

The Committee on Tariff Concessions

40. The Committee on Tariff Concessions met in May 1981 and considered the following substantive items: status of acceptances of the Geneva (1979) Protocol and the Supplementary Protocol; implementation of MTN tariff concessions; submission of loose-leaf schedules of tariff concessions; tariff escalation; tariff reclassification; and tariff study.

Multilateral Agreements and Arrangements resulting from the Multilateral Trade Negotiations

41. On 1 January 1981 the two remaining instruments negotiated in the Tokyo Round came into force, namely:

- the Agreement on Government Procurement;
- the Agreement on Implementation of Article VII of the General Agreements on Tariffs and Trade.

42. An updated status of acceptances of these Agreements, together with that of the Agreements and Arrangements which entered into force on 1 January 1980, is shown in document L/4914/Rev.4.

Arrangements on bovine meat and dairy products

43. The International Meat Council met in December 1980 and in June 1981. It considered replies to the agreed questionnaire concerning statistics and information. The Council also undertook an evaluation of the world market situation and outlook, and examined the functioning of the Arrangement. It decided, at its June 1981 meeting, to establish a Meat Market Analysis Group to assist the Council in its work.

44. The International Dairy Products Council met in April 1981 (L/5137). The Council reviewed the functioning of the Arrangement and took note of the reports of the three Committees of the Protocols Regarding Certain Milk Powders, Regarding Milk Fat and Regarding Certain Cheeses, respectively.
The Council also undertook evaluations of the situation in and outlook for the world market for dairy products, and discussed, in particular, dairy policies and food aid. The Committee of the Protocols met subsequently in June 1981.

Agreement on Trade in Civil Aircraft

45. The Committee on Trade in Civil Aircraft met in December 1980, in March 1981, and in June 1981 (L/5094, L/5133, L/5160). The Committee heard status reports on acceptance of the Agreement, on GATT aircraft bindings and on end-use systems. The Committee examined two texts concerning the binding of duties and other charges on repairs. It discussed matters arising under different provisions of the Agreement, in particular trade restrictions under Article 5 and government supports under Article 6. It examined a proposal on notification of government supports and a discussion paper on export credit subsidies. The Committee also considered reports by the Technical Sub-Committee, and decided to apply the Decision of 26 March 1980 (L/4962) on Modification and Rectification of Schedules in respect of the Annex to the Agreement.

Agreements on Non-Tariff Measures

46. The Committee on Anti-Dumping Practices met in February and April 1981 (L/5107, L/5143). The Committee examined reports under Article 14.4 of the Agreement on anti-dumping actions. The Committee also discussed the extent to which basic price systems may be used in conformity with the Agreement, and reviewed special anti-dumping monitoring schemes and the problems related thereto. In addition, the Committee examined a report of the Joint Group of Experts on the Definition of the word "Related" and agreed to take a final decision on the report at its next meeting.

47. The Committee on Subsidies and Countervailing Measures met in December 1980 and in April 1981 (L/5092, L/5144). The Committee examined notifications of national legislation and implementing regulations, and examined reports under Article 2.16 of the Agreement on countervailing duty actions. The Committee also discussed certain issues raised by the invocation of Article 19.9 by a signatory. In addition, the Committee examined the report of the Joint Group of Experts referred to in the preceding paragraph, and likewise agreed to take a final decision on the report at its next meeting.

Established in conjunction with the Committee on Subsidies and Countervailing Measures
48. The Committee on Technical Barriers to Trade met in February and June 1981 (L/5112, L/5165). The Committee agreed on terms of acceptance for Tunisia under Article 15.2 of the Agreement. It also heard progress reports from the Chairman of the Working Party on the Accession of Bulgaria to the Agreement. It agreed to hold a special meeting to examine the Working Party's report when it is available. The Committee continued its discussion on the applicability of the Agreement to processes and production methods, and heard statements on the implementation and administration of the Agreement. The Committee concluded the first annual review of the implementation and operation of the Agreement. The Committee also dealt with several matters related to the operation of the Agreement, namely notification, technical assistance to developing countries, regional standards related activities and the operation of national enquiry points.

49. The Committee on Import Licensing met in December 1980 and in April 1981 (L/5091, L/5136). The Committee examined the information available on licensing procedures and requested delegations to supply information as called for in the Agreement. The Committee also agreed on the approach to be taken and the procedures to be followed in preparing for the first biennial review of the Agreement, which would take place before the next session of the CONTRACTING PARTIES.

50. The Committee on Customs Valuation met in January and May 1981 (L/5097, L/5139). It adopted a text, based on the CONTRACTING PARTIES' Decision of 28 November 1979 (BISD 26 S/201), providing for the participation of observers, and agreed on the procedures for circulation and derestriction of its documents. The Committee also adopted procedures for reservations under the Agreement. In addition, the Committee heard statements of a general-policy nature and had an exchange of views relating to the implementation and administration of the Agreement on the basis of a checklist of issues. The Committee also heard a detailed oral report by the Chairman of the Technical Committee on Valuation concerning the March 1981 meeting of that Committee. The Committee agreed on certain arrangements in respect of the preparations for the annual review of the implementation and operation of the Agreement. It has on its agenda the questions of technical assistance to developing countries and the accession of further countries to the Agreement.

51. The Committee on Government Procurement met in January and April 1981 (L/5101, L/5132). As in the case of the Committee on Customs Valuation, it adopted a text providing for the participation of observers, and agreed on procedures for circulation and derestriction of its documents. The Committee heard statements on steps taken to implement and administer the Agreement, and agreed on the modalities for the submission of information on relevant national laws, regulations and procedures, as well as the modalities for meeting the requirements concerning annual statistics and matters pertaining to exchange rate questions in relation to Articles VI:9 and I:1(b) of the
Agreement, respectively. Other questions discussed by the Committee included the applicability of the Agreement to leasing arrangements and similar practices, the identification of contracts falling under the Agreement and the treatment of taxes and customs duties in the context of the threshold requirement and in relation to bid comparison. The Committee also has on its agenda the question of the accession of further countries to the Agreement.

Committee on Safeguards

52. The Committee on Safeguards met in April 1981 (L/5151) and adopted the following conclusions:

"1. The provisions of Article XIX of the General Agreement continue to apply fully and at the present time the rules and procedures for their application remain unchanged.

"2. The CONTRACTING PARTIES will continue to keep the matter under examination and discussion and to this end the Committee on Safeguards will expedite its work.

"3. All actions taken under Article XIX, and to the extent possible, other actions which serve the same purpose will be notified to the CONTRACTING PARTIES. In addition, it will be open to contracting parties to bring up any matter in accordance with the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance."

Textiles Committee

53. At its meeting in December 1981, the Textiles Committee initiated discussions regarding the future of the Arrangement as required by its Article 10:5. The Committee also considered a secretariat paper on the main developments in demand, production and trade in textiles and clothing since 1973, prepared at the Committee's request, and a feasibility study by the secretariat on fibre consumption statistics. At its meeting in May 1981, the Textiles Committee continued its discussion of the future of the Arrangement. The Committee also considered the report of the Working Group on Adjustment Measures (COM.TEX/22) and a document containing revised summaries of information from participating countries (COM.TEX/21). The Committee endorsed the Working Group's suggestion that governments be requested to co-operate in keeping the information in COM.TEX/21 as complete and up-to-date as possible so that the Textiles Committee would be in a situation to assess the situation periodically. The Committee agreed that the Working Group would continue to meet periodically.
Consultative Group of Eighteen

54. The Consultative Group of Eighteen met in March and June 1981. The Group discussed the implications for the world trading system of the world-wide slow-down in economic activity and the trade tensions associated with it. The Group noted, inter alia, that the trade and payments situation of many developing countries continued to give rise to concern and necessitated their fuller participation in world trade. The Group stressed the importance of a strong political commitment on the part of governments to the maintenance of liberal trade policies and the improvement of the multilateral trading system. The Group noted that trade relations were beset by a number of complex and potentially disruptive problems, reflecting growing protectionist pressures, and that there was a need for improved international co-operation to solve these problems. The Group agreed that it would be useful to consider at the political level the overall condition of the trading system. There was broad agreement that to this end it would be appropriate for the GATT CONTRACTING PARTIES to envisage convening a ministerial meeting during 1982. The Consultative Group of Eighteen intends to pursue its discussion at its next meeting, with a view to facilitating the task of the CONTRACTING PARTIES. The Group also exchanged views on trends in international trade in agricultural products, in accordance with the mandate given to it by the CONTRACTING PARTIES at their thirty-sixth session, and reviewed progress in the implementation of the results of the Tokyo Round negotiations.

Training course

55. The fifty-first Commercial Policy Course organized by GATT took place from 9 February to 3 June 1981. There were twenty-two participants in the course, which was for English-speaking officials. The participants were drawn from twenty countries and two regional organizations.

Technical assistance to developing countries

56. Technical assistance to developing countries is an important aspect of the work of the GATT secretariat. The secretariat has responded to the requests of developing countries by sending missions to participate in seminars on various aspects of the General Agreement and the non-tariff measures codes and other multilateral instruments. These seminars are generally attended by officials from various ministries and departments dealing with international trade and on occasion by members of the business community. Officials of the secretariat have also visited some developing countries, at their request, to hold discussions with the appropriate authorities on specific issues and problems relating to commercial policy of relevance to GATT. The secretariat continues to respond to ad hoc requests from developing countries for data, background information, documentation and advice on a variety of subjects being taken up in the framework of the General Agreement.
ANNEX

ACTIVITIES IN OTHER INTERNATIONAL ORGANIZATIONS
RELEVANT TO PART IV

United Nations

1. The General Assembly, at its thirty-fifth session, adopted the International Development Strategy for the Third United Nations Development Decade starting on 1 January 1981. It also decided to request the President of the General Assembly to continue consultations concerning the "launching of global negotiations on international economic co-operation for development" with a view to reporting on the results of these consultations to the General Assembly at its resumed thirty-fifth session. Since then, consultations and discussions have been undertaken by the President in an attempt to reach an understanding which could lead to the launching of global negotiations.

North/South dialogue

2. A meeting of foreign Ministers of eleven countries took place in Vienna in March 1981 to prepare for a "North-South" summit meeting. They proposed that the summit be held in October 1981 in Cancun, Mexico.

UNCTAD

3. The twenty-second session of the UNCTAD Trade and Development Board, held in March 1981, adopted a resolution establishing a sessional committee at the Board's twenty-fourth session and annually thereafter to conduct reviews covering both the patterns of production and trade in the world economy and developments involving restrictions of trade. A number of other resolutions were also adopted relating to: the rationalization of UNCTAD's permanent machinery; assistance to developing countries in resolving outstanding MTN issues; the establishment of an Intergovernmental Group of Experts on Restrictive Business Practices; the transfer of technology and the "brain drain".

4. The tenth session of the Special Committee on Preferences was held in May 1981. The effect of MTN tariff reductions on GSP preference margins and the question of differentiation among developing countries in the application of preference schemes were among the issues taken up by the Committee. With regard to technical assistance, there was agreement on the need for the work of the UNCTAD/UNDP Project to be carried out beyond 1981 and a resolution to this effect was adopted by the Special Committee. The Committee also took note of the report of its Working Group on Rules of Origin and agreed that further work in the field of harmonization and simplification of the rules was necessary.
5. The first and second sessions of the Preparatory Commission of the Common Fund were held in October and February 1981. The second session adopted a work programme calling for the establishment of two working parties—one to deal with administrative, legal and procedural matters, including rules of procedure of the Governing Council and of the Executive Board and the delegation of powers by the former to the latter, the other to concern itself with operational and financial questions. A meeting of Working Party I was held in May 1981.

6. The Second Preparatory Meeting on Manganese, one of the eighteen commodities covered by the Integrated Programme for Commodities, was held in October 1980. The meeting recommended that future work on identifying and examining problems in international trade in manganese should be carried out in several phases. The Secretary-General of UNCTAD would first invite member governments to present their views on these problems and would circulate them. The Trade and Development Board would then schedule a meeting of an intergovernmental group of experts to be held as soon as possible in 1981 to discuss the problems identified. Another preparatory meeting would be held within six months of that meeting in order to consider possible approaches to these problems.

7. The Fourth Preparatory Meeting on Vegetable Oils and Oilseeds, held in March 1981, approved two research and development programmes for groundnuts and coconut products. It was also agreed that the FAO Intergovernmental Group on Oilseeds, Oils and Fats would be an appropriate body for sponsoring the research and development programmes which could be financed by the Common Fund through its Second Account.

8. At the Sixth Preparatory Meeting on Cotton, held in April/May 1981, there was support for the negotiation of an International Cotton Agreement with a comprehensive institutional framework to undertake all international action on cotton that governments may agree upon. It was noted that the situation facing cotton in world markets continued to call for rapid progress towards this goal. The Meeting agreed that a resumed Sixth Preparatory Meeting on Cotton should be convened at an appropriate stage, and invited the Secretary-General of UNCTAD to hold consultations with interested cotton producing and consuming countries in an effort to ensure its success.

9. The Fifth Preparatory Meeting on Hard Fibres, held in May/June 1981, invited the Secretary-General of UNCTAD to hold separate consultations with the hard fibres producing and consuming countries with a view to convening a further meeting on hard fibres at an appropriate time when prospects for a successful outcome exist. Among the issues which remain to be resolved are the objectives of the agreement, the question of price stabilization, capital investment projects and country specific projects within the commodities development programmes, the technical improvement programme and appropriate institutional arrangements.
United Nations Conference on Jute and Jute Products

10. The first part of the United Nations Conference on Jute and Jute Products was held in January 1981, having before it four draft texts for an agreement which is envisaged as having its emphasis on research and development, market promotion, cost reduction etc. Substantial progress was made with respect to the draft Articles of the Agreement. At the second part of the Conference, held in May 1981, it was not possible to reach final agreement on a number of issues in the negotiations for the conclusion of an International Agreement on Jute and Jute Products, although progress was made in resolving some outstanding issues. The Conference, therefore, decided to request the Chairman of the Conference to undertake consultations and to hold a further session when it is considered that the conditions for the final conclusion of the Agreement have been achieved, if possible before the end of 1981.

United Nations Cocoa Conference

11. At the end of the third session of the United Nations Cocoa Conference in October-November 1980, the International Cocoa Agreement, 1980 was concluded. The Agreement replaced a 1975 agreement which expired in March 1980. The Agreement aims to keep world prices, as measured by a five-day indicator price, based on London and New York futures' prices, between 110 and 150 US cents per pound with minimum and maximum prices of 100 and 160 US cents respectively. The buffer stock would initially buy or sell when prices are below 110 US cents per pound or above 150 US cents per pound respectively. These intervention prices are subject to two semi-automatic adjustments of four US cents each, upwards or downwards, triggered when buffer stock sales or purchases respectively exceed first 100,000 tonnes and then 175,000 tonnes. The price levels are also subject to review and possible revision by the Council of the new International Cocoa Agreement. The Agreement provides for a buffer stock of up to 250,000 tonnes (cocoa bean equivalent) to be financed through a levy on exports and imports and through the Common Fund when it is operational. The buffer stock manager is authorized to hold part of the stock (10,000 tonnes) in the form of cocoa paste. At its eighteenth session in June 1981, the International Cocoa Council decided to extend the period for the deposit of instruments of ratification, acceptance or approval of the International Cocoa Agreement, 1980, up to and including 30 September 1981. At a meeting held in June 1981, a number of cocoa-producing and consuming countries agreed to apply the Agreement provisionally as from 1 August 1981.

United Nations Tin Conference

12. The fourth session of the United Nations Tin Conference, held in June 1981, adopted a resolution establishing the text of a Sixth International Tin Agreement. Under the new Agreement the size of the buffer stock is set at 50,000 tonnes, of which 30,000 tonnes are to be financed by governmental
contributions and an additional 20,000 tonnes by borrowing, using as security stock warrants and government guarantees or undertakings. The financing of the buffer stock is to be shared equally between producers and consumers. Assuming a 50,000 tonne maximum buffer stock, the International Tin Council may decide to impose export controls by a two thirds distributed majority provided at least 35,000 tonnes are held in the buffer stock; should this rise to 40,000 tonnes the decision could be taken by a simple majority. A new mechanism automatically moderates the duration of the controls according to the market situation and price of tin. Provisional entry into force of the Agreement will occur if, by 1 July 1982, governments of countries accounting respectively for at least 65 per cent of total production and 65 per cent of consumption have deposited instruments of ratification, acceptance, approval or accession, or have notified the depository that they will apply the agreement provisionally; no date is set by which the agreement must enter into force definitively, which would require ratios of 80 per cent in respect of production and consumption respectively. A limit on the financial liability of governments during the period of provisional entry into force has been instituted. The new text provides that the ceiling price will be 30 per cent above the floor price, the range being divided into three equal sectors.

FAQ

13. At its ninth session, in December 1980, the Intergovernmental Group on Meat reviewed follow-up action to the Guidelines for International Cooperation in the Livestock and Meat Sector. The Group identified the following areas of concern: the slow progress in expanding livestock and meat production in developing countries; the difficulties of many developing countries in taking advantage of market opportunities because of problems related to animal health and sanitary regulations; the decline in real international prices of beef; the limited achievements in the Multilateral Trade Negotiations in this sector, in particular with regard to developing countries, and the lack of a major breakthrough towards trade liberalization; continuing high producer and consumer prices in major consuming countries. With regard to its review of protectionism in the livestock sector, the Group agreed (a) to call on all countries, and particularly developed countries, to the maximum extent possible, to refrain from imposing new trade barriers to imports of livestock products and to progressively improve access to their markets; (b) to request that countries, in adjusting their livestock policies, give special attention to minimizing the adverse effects of trade distortions on world markets; (c) to review developments in protectionism in all its forms and its effects on trade in animal products as part of the Group's reviews of follow-up action to the Guidelines for International Cooperation in the Livestock and Meat Sector; (d) to examine the scope of promoting trade in animal products among developing countries.

14. The fifteenth session of the FAO Intergovernmental Group on Oilseeds, Oils and Fats was held in March 1981. Among other things, the Group noted that world output for current crops of edible/soap fats and oils as well as
oilmeal proteins was likely to fall in 1981 and that export availabilities in 1981 would probably be lower than the record exports in 1980. The relatively tight supply/demand situation in this sector would require new types of measures to deal with such problems as stability of prices and of export earnings, as well as the increasing difficulties in most developing countries of financing their imports. A number of developing countries raised certain issues relating to market access for their products. In addition, they referred to the problems posed to their exports of refined oil by tariff escalation and effective protection. The Group agreed that it would review systematically developments in protectionism and its effects on international trade in this sector.

15. The twenty-fourth session of the FAO Intergovernmental Group on Rice took place in March 1981. In reviewing the rice situation and outlook for 1980/81, the Group noted that the world rice market experienced a substantial growth in output and a major increase in prices in 1980, but was expected to experience relative price stabilization in 1981. Trade levels in 1980 were a record 11.8 million tons, and were expected to increase again in 1981. In the context of its review of national and regional rice policies, the Group considered import and export policies affecting trade in rice, in particular tariffs. The Group also discussed the expansion of trade in rice among developing countries, in the light of the expectation that import demand in developing countries would grow considerably in the future.

16. The FAO Committee on World Food Security held its sixth session in April 1981. Matters taken up, among others, were: assessment of the world food security situation and the adequacy of stocks; review of steps taken to implement the Plan of Action on world food security; preparedness to meet acute and large-scale food shortages; and review of special arrangements for food security assistance to developing countries.

International Coffee Agreement

17. Three reductions, each of 1.4 million bags, in the global quota for coffee, which had been introduced as from 1 October 1981, took place in November 1980, December 1980 and June 1981 respectively, due to the decline in the composite indicator coffee price below the trigger levels established by the International Coffee Council at its thirty-fourth session in September/October 1980.

International Natural Rubber Council

18. The International Natural Rubber Council held its first meeting in November 1980, following the provisional entry into force of the International Natural Rubber Agreement in October 1980. The Council chose Kuala Lumpur as
headquarters of the International Natural Rubber Organization. The Council agreed to an extension up to 31 October 1981 for the deposit of instruments of ratification, acceptance or approval by governments which have signed the Agreement. The Council also adopted an administrative budget.

International Sugar Council

19. At its eleventh session in November 1980, the International Sugar Council decided to increase the range of prices under the International Sugar Agreement by one US cent to 13.00 cents to 23.00 cents per pound. As a result of a fall in sugar prices on the world market, the provision of the International Sugar Agreement on limitations on the import of sugar from non-members came once more into effect in April 1981. Following a further decline in prices, export quotas under the Agreement were implemented in May 1981.

International Wheat Council

20. At its ninety-second (special) session in March 1981, the Council decided to extend the Wheat Trade Convention, 1971, for two more years to 30 June 1983, because of technical, administrative and policy difficulties in bringing a new Convention into effect when the current one was due to expire on 30 June 1981. The Council gave the Executive Secretary of the International Wheat Council an explicit mandate to pursue his consultations and to clarify outstanding questions arising from the current proposals for a new Convention, including those designed to assist developing countries in improving their stockholding capabilities.

21. The Food Aid Committee, at its thirty-ninth (special) session in March 1981, agreed that the Food Aid Convention, 1980, due to expire on 30 June 1981, should be extended for two more years to 30 June 1983.

International Monetary Fund

22. At its meeting in May 1981, the Interim Committee of the IMF discussed the world economic outlook and the policies appropriate in the current situation. The Committee reaffirmed its conviction that the fight against inflation must continue to receive the highest priority. At the same time, it expressed concern about levels of output, unemployment and unused capacity, and urged that restrictive monetary and fiscal policies be supplemented by appropriate supply-side policies designed to improve the climate for investment and economic efficiency. Concerned about the large external deficits on current accounts that remain in prospect for the next few years in many of the non-oil developing countries, the Committee noted that appropriate adjustment policies must be pursued in order to bring these deficits to a level that can be financed on a sustainable basis. At the same time, the need for an enlarged flow of aid and concessional loans to developing
countries, especially to low income ones, particularly in view of the increase in external debt and in the cost of servicing, was emphasized. Another concern of the Committee was the increasing domestic pressure for protectionism. Constant vigilance against protectionism was considered essential; maintenance of an open trade and payments system among all countries was important for the prosperity of developed and developing countries alike. The Committee welcomed the important developments since its meeting last September that had placed the Fund in a better position to provide financial assistance to its members for the purpose of facilitating the adjustment process.

The Development Committee

23. The Joint Ministerial Committee of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) met in May 1981. The Committee noted with concern that the developing countries continue to face serious problems and that their medium-term prospects remain poor. In this context, a number of factors were identified including persistent international inflation, slowdown in the expansion of world trade, growing protectionist tendencies, and a depressing outlook for exports of developing countries, sharp increases in the current account deficits of non-oil developing countries, from US$58 billion in 1979 to an estimated US$80 billion in 1980 and a projected US$97 billion in 1981; and the continuing slow growth of the economies of most industrial countries. The financing of the large deficits of developing countries had required a substantial increase in external borrowing at high cost; consequently, the debt-service burden for developing countries had increased perceptibly in recent years. Against this background, the Committee discussed the question of the expanded capital needs of developing countries and the rôle of the international financial institutions in meeting them. It recognized the importance and urgency of providing the multilateral development institutions and the regional banks with additional resources and restoring the International Development Association's commitment authority to assist developing countries in their development efforts. The Committee expressed its support for the World Bank's initiative to expand its lending operations in the energy sector.

OECD

24. The Council of the Organisation for Economic Co-operation and Development met at Ministerial level in June 1981. As regards trade problems and policies in the member countries, the Ministers noted in their communiqué that despite the deterioration of the economic situation, governments had managed to keep the general orientations of their trade policies in line with the objectives of the Declaration on Trade Policy adopted in June 1980. They agreed, however, that the persistence of serious economic difficulties and
consequential protectionist pressures required increased and vigorous efforts by governments to avoid a progressive erosion of the open and multilateral trading system and emphasized, in particular, the dangers inherent in recourse to trade measures not subject to agreed rules and disciplines and to trade-distorting subsidies and practices. The Ministers reaffirmed the need for efforts towards positive adjustment and for the progressive reduction of government intervention in sectors experiencing structural difficulties. They further agreed on the need to strengthen multilateral co-operation to ensure, among other things, that trade flows continued to play an efficient rôle in the achievement of structural adjustment and of other general economic objectives. Their governments would make full use of existing international institutions and multilateral rules and procedures in the trade field. The Ministers reaffirmed the determination of their governments to implement fully and effectively the commitments made in the Multilateral Trade Negotiations and agreed on the importance of action in support of the search for ways and means to improve and to liberalize conditions of international trade including in those fields which had up to now a lesser part in the process of liberalization. With regard to trade with developing countries, Ministers recalled their determination, as expressed in the 1980 OECD Declaration on Trade Policy, to strengthen trade relations with developing countries, taking into account the desirability of differential and more favourable treatment for developing countries, having in mind their special and differing needs, in particular those of the least-developed among them. They recognized the crucial importance of export earnings for developing countries and the favourable effects of high growth in these countries for the world economy. They reaffirmed the need to avoid restrictive measures which might inhibit the dynamic development of trade with developing countries. They underlined that, in addition to liberalization of trade by industrialized countries, mutual benefits for all trading partners would derive from progressive trade liberalization efforts by developing countries in a position to do so and, more generally, from the further integration of developing countries into the international trading system.