REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT TO THE
CONTRACTING PARTIES

Introduction

1. Since the twenty-seventh session of the CONTRACTING PARTIES, the Committee on Trade and Development has held meetings in February\(^1\), July\(^1\) and October 1972 under the Chairmanship of Mr. B.R. Patel (India).

2. The present report covers the main developments at these meetings when the Committee reviewed implementation of Part IV and gave particular attention to the work of the Group of Three. Following the declarations on international economic relations by certain developed countries in February 1972, the Committee has also discussed the participation of developing countries in the forthcoming multilateral trade negotiations which is expected to be a regular item on the Committee's agenda. In this connexion, the Committee has also given some preliminary consideration to future action on tropical products. Other matters considered during the year include reports of the sub-groups dealing with adjustment assistance measures and residual restrictions as well as the application of Article XIX to developing countries.

Review of implementation of Part IV

3. For the review of implementation of Part IV the Committee had agreed at its July meeting that the notifications to be made by governments for this year should include information on the consideration given by contracting parties to the report of the Group of Three and action taken towards the implementation of its recommendations. The Committee noted the information provided by governments in this connexion which was circulated in document COM.TD/4/W/176 and addenda. The Committee expressed appreciation for the specific measures adopted, as indicated in the notifications and referred to in paragraphs 13-15 of the report on proceedings of the July meeting of the Committee (COM.TD/37), as well as the additional information provided in the course of the discussions. Representatives of developing countries, however, indicated their concern at the continuing lack of progress towards resolving the more wide-ranging problems facing their trade. While stressing that the trade negotiations must provide effective benefits for their exports in accordance with the undertakings given by developed countries, they also considered that positive action could be taken on some of these matters in advance of the negotiations as recommended by the Group of Three.

\(^1\)Records of proceedings have been issued as COM.TD/34 and COM.TD/37 respectively.
4. With regard to the Generalized System of Preferences, representatives of developing countries welcomed the action taken by the donor countries in implementing their schemes in favour of developing countries. They requested those countries which have not taken such action, to do so at an early date. These representatives also suggested that developed countries should now be in a position to consider the expansion and improvement of their schemes to include, among other things, additional primary products in their raw, semi-processed and processed forms.

5. With regard to activities in other GATT bodies, representatives of some developing countries referred to the importance for them of the work proceeding in connexion with the enlargement of the European Communities and emphasized that the interests of developing countries should be safeguarded in this connexion. Reference was also made by these representatives to the free-trade arrangements on industrial products which had been entered into between the enlarged EEC and certain other developed European countries and in their view it was important that these arrangements did not adversely affect the position of developing countries in these markets.

Report of the Group of Three

6. At their twenty-seventh session, the CONTRACTING PARTIES decided that the Group of Three should be retained in order to ensure follow-up action on the recommendations contained in the first report (L/3610) and to explore possibilities for resolving difficulties in their implementation. The Group was also asked to consider how implementation of Part IV might be facilitated, how the work of the Group on Residual Restrictions might be given a new orientation and how progress could be made towards resolving the trade problems of vegetable oils and oilseeds. The second report of the Group has been submitted in document L/3710.

7. Members of the Committee expressed appreciation for the work carried out by the Group and the practical approach it had adopted with respect to its mandate. As indicated in paragraph 3, some developed countries had provided information in their notifications on the implementation of Part IV on action they had taken as a result of the Group's recommendations. Information on measures adopted had also been provided to the Committee in July (COM.TD/87) when the report was under preliminary consideration.

8. Representatives of some developed countries were able to provide further details to the October meeting of the Committee. The representative of the Commission of the European Communities stated that in connexion with the Community's scheme of preferences which had been implemented on 1 July 1971, the Community was actively engaged in preparations for renewing its preferences for the year 1973 and had decided that the renewal would be effected on a more favourable basis for developing countries. The representative of Japan indicated that ceiling quotas under his country's scheme of preferences for 1972 were 30 per cent higher than those applied in 1971. The representative of Australia referred to the recent addition of more than 200 items to the Australian preferential arrangements for developing countries of which approximately 100 items were
included without quota limitation. This could be taken as an indication of possible future developments in the Australian scheme. The representative of Canada stated that it was hoped that legislation concerning the implementation of the Canadian scheme of preferences would be introduced into the new Parliament soon and would receive early passage. The Swedish representative indicated that it was the intention of his Government in the near future to add wine, wine grapes and tobacco to Sweden's preferential scheme.

9. The representative of the Federal Republic of Germany referred to the German action relevant to the provisions of Part IV which were notified to contracting parties and stated that as a result of the recent liberalization of casein and after the liberalization of lucerne flour in the coming months, the Federal Republic of Germany will have fulfilled the recommendations of the Group of Three in the agricultural sector. In addition to the trade liberalization measures which his country had taken, the representative of the Federal Republic of Germany referred to measures of import promotion of developing country products which had been adopted by his country. Details of this activity which was undertaken at the government level as well as through co-operation at industry level and by participation of developing countries in trade fairs with governmental financial assistance are indicated in COM.TD/IV/170/Add.4.

10. With regard to the general recommendations contained in the report, representatives of developing countries again emphasized the importance of trade liberalization in the field of tropical products including the reduction or removal of tariff escalation and internal taxes, and improved access to the expanding markets of developed countries for certain temperate zone products such as fruits, vegetables, flowers etc. These representatives supported the recommendation concerning the need for easy access to developed country markets for new and specialty items produced for export by developing countries, and additional assistance to developing countries in the field of trade promotion and in complying with technical regulations as applied by developed countries to imports. They believed that further consideration should be given to guidelines by which these proposals could be assured of practical implementation.

11. The representative of a developing country suggested that developed countries might consider inviting trade experts from developing countries for consultations with officials and industry with a view to ironing out problems which were sometimes hampering trade relations. In addition, the UNCTAD/GATT International Trade Centre might be asked to examine the market prospects in developed countries for specialty products which could be identified by interested developing countries.
12. There was general support for the recommendation contained in paragraph 55 of the report concerning the reorientation of the work of the Group on Residual Restrictions. With regard to the implementation of Part IV, some representatives expressed the view that use should be made of the notification and consultation procedures provided for in Article XXXVII:2. While some representatives supported the recommendation relating to the setting up of a small group to examine and report on problems affecting trade in vegetable oils and oilseeds, some other representatives considered that further action on these items should be considered within the broader framework of the preparatory work for the negotiations.

13. Because of the useful function which the Group of Three had performed in accordance with its terms of reference, the Committee was of the view that this activity should be continued. Note was taken of the statement by the Group that although it had made every effort to acquaint itself with the problems of concern to developing countries, it would welcome any further opportunities of focusing, in consultation with delegations of these countries, attention on those issues which may not have been fully covered in the report. Because of the nature of its operation, involving frank and informal consultation with developed country delegations on a bilateral basis concerning the trade problems of developing countries, some representatives considered that the Group of Three could play a useful rôle in the context of the trade negotiations, both in terms of its contacts with developed countries and in an advisory capacity. One representative pointed out, however, that care was required to ensure that the main focus of the work of the Group of Three was not lost.

14. In introducing the report and later in commenting on the favourable reactions to the recommendations made, the Chairman of the Group of Three speaking on behalf of the Group, expressed the hope that where the recommendations and proposals had not so far been adopted, ways could now be devised to ensure that the ideas put forward in the report were translated into action.

Participation of developing countries in the trade negotiations

15. At its meetings in July and October 1972, the Committee had an exchange of views on recent developments in the trade policy field and in particular on aspects concerning the multilateral trade negotiations due to begin in 1973. Members of the Committee welcomed the representatives of developing countries non-contracting parties to the meeting and looked forward to their active participation in the preparatory work relating to the trade negotiations. The Committee took note of activities in the Agriculture Committee and the Committee on Trade in Industrial Products and their working groups, on techniques and modalities for the forthcoming negotiations including the preliminary studies on the implications of various suggested techniques and modalities for the interests of developing countries.

16. Some representatives stressed the importance of full and active participation of developing countries, both members of GATT and others in all stages of the preparatory work for the negotiations. They emphasized the importance of the preparatory work in helping to determine the shape and content of the negotiations.
It was only by taking an active part in the preparatory discussions that developing countries could ensure that their interests were kept to the forefront of the negotiations.

17. Representatives of developing countries emphasized the importance of creating conditions to ensure that their countries secured effective benefits from the negotiations. In this connexion, it was suggested that the ground-rules, techniques and modalities should adequately reflect the provisions of Part IV of the General Agreement. A number of representatives referred to the position taken at the March meeting of the GATT Council when developing countries had pointed out that their association with the negotiations was dependent upon the details to be applied to their participation. The stage had not so far been reached in the relevant GATT bodies and Working Groups which would enable them to make a judgment with respect to their participation, because, in their view the objectives and principles underlying the negotiations, as well as their overall scope, had not been sufficiently defined. Until the scope and objectives of the negotiations were more precisely defined, it was also not possible to determine the techniques and modalities that would best serve their interests. In this connexion, these representatives considered that the negotiations should provide improved access for developing country exports, reduce and, where possible, eliminate tariff escalation on products of interest to developing countries and safeguard preferential margins already extended or hopefully to be extended to developing countries. They also urged that in regard to the products which were not included in the GSP, tariff concessions agreed to in the multilateral trade negotiations should be implemented in advance and on a preferential basis in favour of developing countries.

18. Representatives of developing countries also referred to the importance of non-reciprocity, non-discrimination and general preferential treatment for developing countries which they believed should be adequately reflected in the techniques and modalities applying to their participation. With regard to negotiating rights, the status of principal or substantial supplier might be applied to developing countries which, as a group, have a principal or substantial supplying interest in particular products.

19. The representative of Uruguay suggested that the CONTRACTING PARTIES should be asked to take a decision which would provide that in the context of the forthcoming negotiations, developed countries may grant to developing countries concessions which would be extended to all developing countries but not to the other developed countries. Such concessions may be granted without any counterpart being required or may be negotiated on the basis of strict or partial reciprocity. In this latter case the concessions granted by developing countries will be governed by Article I of the General Agreement. The concessions granted by developed countries in accordance with this decision may only concern products of a kind that are of special export interest for the developing countries with which they are negotiated. Representatives of some other developing countries stated that this point deserved further consideration.

20. Concern was also expressed by representatives of developing countries that the benefits of the Generalized System of Preferences could be eroded as a result of any tariff reductions likely to accrue on a most-favoured-nation basis from the negotiations and in their view this factor would need to be taken into account in determining compensation for the loss of any benefits that might occur.
21. Representatives of some developed countries stated that the objectives of the negotiations should be broadly to remove barriers to trade to the maximum extent possible. Some of these representatives considered that it may be difficult to spell out these objectives in more concrete terms and that it should be possible for developing countries to make suggestions and proposals with regard to techniques and modalities that might apply to their participation in the negotiations.

22. On the question of reciprocity, representatives of some developed countries expressed the view that while they did not expect full reciprocity from developing countries, it should be possible for these countries, consistently with the provisions of Part IV, to make contributions towards the objectives of the negotiations through appropriate action in the tariff and non-tariff field. In this connexion, it was suggested by some representatives that concessions could take the form of a simplification of existing import formalities. Some of these representatives expressed the view that in seeking a contribution from developing countries, account would need to be taken of the particular situation and development needs of different developing countries. One representative suggested that concessions granted by developing countries could also take the form of the elimination of preferences at present granted to certain supplying countries.

23. Representatives of some developed countries drew attention to the non-contractual nature of the Generalized System of Preferences. It was recalled by these representatives that the Generalized System of Preferences had been seen as a method of extending concessions on a unilateral basis to the exports of developing countries. The Generalized System of Preferences could not be seen as an obstacle to the negotiations for the further multilateral liberalization of trade on a most-favoured-nation basis which would have as an objective to ensure net additional benefits for the trade of developing countries in the context of the GATT. Some of these representatives noted, however, a moral obligation to provide effective benefits through the negotiations that were larger than those enjoyed by developing countries under present trading arrangements.

24. The representatives of some developing countries stated that with regard to negotiations on non-tariff barriers, it would be important to ensure that the interpretation of GATT rules and the development of codes of conduct do not perpetuate existing practices which may be considered as barriers to trade. In connexion with the removal of quantitative restrictions on products of interest to developing countries, the possibility of taking such action on a preferential basis should be explored. For other non-tariff barriers such as health and sanitary regulations, standards, and packing and labelling requirements, a number of representatives of developing countries emphasized the need for technical assistance to help meet existing regulations in industrialized countries. This could be seen as an intermediate measure pending the possible modification of such practices taking into account the interests of developing countries.
25. Reference was also made by representatives of some developing countries to UNCTAD Resolution 82(III) including the principles put forward by them in section A and which in their view could be translated into techniques and modalities in order to take account of the trade interests of developing countries. The representative of a non-GATT country among the least developed countries drew attention to UNCTAD Resolution 62(III) concerning the adoption of measures in favour of the least developed among developing countries.

26. Members of the Committee expressed the hope that the points made in the discussions would receive further consideration at the forthcoming session of the CONTRACTING PARTIES which could provide guidance in respect of some of the questions that had been discussed.

27. Members of the Committee took note of the action being taken by the secretariat to provide assistance to those developing countries which have asked for it and the expectation of the secretariat that some of the tabulations containing data on tariffs and non-tariff barriers and trade flows would be available to the developing countries concerned within a few weeks. The representative of a non-GATT developing country participating in the preparatory work stressed the importance his delegation had assigned to the technical support that the GATT secretariat was able to furnish to developing countries in general, including non-contracting parties, in regard to the necessary groundwork for their effective participation in the negotiations.

Tropical Products

28. At the July meeting of the Committee, the secretariat was asked to prepare a note on future action on tropical products in the context of the preparatory work for the multilateral trade negotiations. In document SGTP/26 an attempt had been made to identify measures affecting trade in these items so as to provide a basis for preliminary discussion on the possible types of action which might be considered. The note had focussed attention on tariffs, including tariff escalation, quantitative restrictions and other non-tariff barriers such as internal taxes and the question of market stabilization. A list of products which were identified for attention during the Kennedy Round was annexed to the note.

29. The representative of a developed country stated that his country had, for a long time, supported recommendations that barriers to trade in tropical products should be removed as soon as possible. If such action is to be taken, it should form part of a new initiative in the context of the trade negotiations. Any such initiative should come to grips with the problem of preferential access and the loss of preferences for some countries. As a starting point, the secretariat might be requested to undertake studies of the trade position of preferential and non-preferential suppliers. These might show for individual developed importing countries the percentage of each tropical product entering at preferential and other rates of duty. A separate tabulation could provide for individual developing
countries pertinent information on exports of each tropical product at preferential and other duty rates. Such information could provide a basis for the consideration of what types of action could most appropriately be taken on these items during the trade negotiations. The representative of another developed country noting that further precision would be required, supported the proposal and said it would advance work in this area.

30. The representative of a non-GATT developing country participating in the preparatory work, in referring to the vital importance to many developing countries of liberal market access for tropical products, also suggested that some preliminary work on other sectors and products of interest to developing countries should be undertaken by the secretariat to provide a basis for the consideration of future action in the trade negotiations. In this connexion it was proposed that the secretariat might identify trade flows for tropical products in their raw, semi-processed and processed forms. Tabulations might also show most-favoured-nation and preferential rates of duty. The economic reasons for existing preferential arrangements might be indicated and economic alternatives might be suggested with a view to achieving trade liberalization for tropical and other products of export interest to developing countries taking into account any necessary compensatory measures which might be required to avoid effects detrimental to the economies of other developing countries. This representative considered that tropical products were, for obvious reasons, a good example of sectors and products of export interest to developing countries which could be explored further by the Group of Three and the secretariat.

31. Some representatives considered that the two proposals which had been made would have to be stated with greater precision so that their implications could be fully examined. It was suggested that the delegations concerned might submit the details of their proposals to the secretariat for circulation to contracting parties.

32. The representative of the Commission of the European Communities suggested that the Committee on Trade and Development should ensure that tropical products are included in the preparatory work for the negotiations. The various issues could be taken up within the framework of the Agriculture Committee which could act in concert with the Special Group on Trade in Tropical Products when items of interest to tropical producers were under consideration.

33. Some representatives stated that the points identified in the secretariat note were not new and that agreement should be reached on specific problem areas affecting trade in tropical products which could be taken up in the trade negotiations. One of the objectives should be to eliminate tariffs including tariff escalation on tropical products whether in their raw, semi-processed or processed forms. There were also good grounds for the elimination of remaining
quantitative restrictions on tropical products. Representatives of some countries referred to the importance they attached to the problems of internal taxes on tropical products, especially selective taxes applied by certain countries. It was considered that the proposals made by developing countries in the Special Group in Trade in Tropical Products and annexed to SGTP/25, regarding the exemption of tropical products from general consumption taxes like the TVA, could form the basis for action on internal charges. With regard to the list of products annexed to document SGTP/26, some representatives stated that their governments would wish to examine the coverage with a view to adding, as desirable, further items for consideration in the negotiations.

34. The Chairman noted that there was general agreement that these items should be given particular attention in the forthcoming trade negotiations because of their importance to many developing countries. With regard to the proposals made by certain delegations for studies to be undertaken by the secretariat, the broad outline of the proposals would be recorded in the report of the Committee to the CONTRACTING PARTIES.

Work of subsidiary bodies

Adjustment assistance measures

35. A note on proceedings of the Expert Group on Adjustment Assistance Measures (COM.TD/86) in May 1972 was before the Committee at its session in July.

36. Some representatives noted that there had been general recognition in the Group that adjustment assistance measures can be an effective instrument in furthering the cause of trade liberalization. However, representatives of some developing countries felt that in certain cases, measures of adjustment applied by developed countries did not meet the objectives outlined in the Ministerial Resolution of May 1963 or those incorporated in Part IV of the General Agreement.

37. With regard to the future activities of the Group, the Committee agreed that the secretariat should continue to update information on adjustment assistance measures adopted by governments and seek to fill in the gaps in the information provided in 1969 and further in response to the questionnaire circulated in GATT/IR/859. The Committee also supported the suggestion in paragraph 21 of the note that the secretariat might analyze the information provided by governments to the Expert Group in recent years. In connexion with the suggestions and ideas for future work contained in paragraph 23 of the note, there was general agreement that the proposal in sub-paragraph (a) concerning a study in greater depth of certain technical aspects of adjustment assistance should be pursued. However, the representative of a developing country was of the opinion that the part of the sub-paragraph dealing with consideration of an "early warning" system should be excluded from such a study.
In addition to supporting the suggestion in sub-paragraph 23(a) representatives of certain developing countries considered that the proposal in sub-paragraph 23(e), concerning a study of the effectiveness of adjustment assistance techniques in the process of trade liberalization in different countries for particular sectors, would be useful. These representatives also suggested that the Expert Group might undertake a detailed examination of adjustment assistance as an instrument of trade liberalization and as an alternative to import restrictions and escape clause action. It was also suggested that the rôle of adjustment assistance in the forthcoming trade negotiations could be usefully explored having regard to the consideration which might be given to the question of structural adjustment in the context of the examination of future action regarding safeguard measures.

In connexion with the other points listed in paragraph 23 of document COM.TD/86 and other ideas put forward by delegations the Chairman suggested that they be taken up again at the next meeting of the Expert Group to see if there were areas where agreement might be reached.

Residual import restrictions

A secretariat note on proceedings of the meeting of the Group on Residual Restrictions in January 1972 (COM.TD/W/161) was considered by the Committee at its twentieth session in February.

Some members of the Committee representing developed as well as developing countries expressed disappointment at the slow and limited progress which had been made. It was agreed that the Chairman of the Group on Residual Restrictions and the Group of Three might consult with delegations and the secretariat to see if the work of the Group could be reoriented. Following these consultations, the Group of Three recommended (paragraph 55, L/3710) that, (a) so as to enable an in-depth examination, the Group on Residual Restrictions should, at each future meeting, concentrate on a limited number of items under import restriction in developed countries and found to be of significant trade interest to a number of developing countries; (b) the examination in the Group of possibilities for the relaxation or elimination of restrictions should be undertaken on the basis of comprehensive background material provided by the secretariat and made available sufficiently in time for delegations to prepare themselves for the discussion; (c) developed countries concerned with a particular item should provide for the presence at the meetings of experts on the products singled out for discussion. Developing countries should also be adequately represented in the Group and should be in a position to present in a well-documented fashion the practical importance for their trade of the relaxation or removal of restrictions; (d) the Group should address itself to an adequate analysis and discussion of problems impeding the removal of restrictions on the individual products that are the object of examination and should draw the attention of the Committee on Trade and Development to any suggestions for dealing with the problems that touch on matters on which it may not be in a position to arrive at any conclusions itself; (e) in addition it should be understood that if as a result of discussion in the Group a developing country finds that it has not obtained satisfaction, it would remain open to it to request the Committee on Trade and Development to take appropriate action.
42. The recommendations submitted by the Group of Three were adopted by the Committee at its July meeting.

**Article XIX**

43. At the February session of the Committee, representatives of some developing countries referred to the discussions which had taken place earlier in the Committee and summarized in paragraphs 19 and 20 of document L/3625. They considered that Article XIX could result in a situation where emergency action would penalize developing countries not responsible for the cause of the action in the same way as the offending country which might be a developed country. It was proposed that, in the light of Part IV and especially Article XXXVII, imports from developing countries should be exempted when escape clause action permitted by Article XIX was taken. These representatives believed that any administrative difficulties could be overcome and suggested, as a possibility, the establishment of a working group to study the problem and seek a solution to it.

44. For the reasons already advanced when this matter was previously discussed, representatives of some developed countries believed that it was not appropriate to consider a revision of Article XIX in the way suggested. The representative of a developed country said that he could not accept the view that Part IV allowed a departure from the principle of non-discrimination with regard to Article XIX which should be applied across the board on a most-favoured-nation basis. He went on to point out that the exemption of developing countries could lead to escape clause actions without the discipline of Article XIX and that the important point was to ensure that action under Article XIX was justified and temporary. However, there could be situations where an importing country might after paying regard to the particular interests of developing countries decide not to proceed with any emergency action under this article.

45. For these reasons, these representatives could see little purpose for the time being, in establishment of a working group as proposed by developing countries.

46. The Chairman said that further time was obviously needed for reflection on how to proceed. He hoped that members of the Committee would give full consideration to the views recorded in the notes on proceedings and reports of the Committee. In this connexion it had been noted in the documentation prepared for the October meeting of the Committee on Trade and Development that some questions relating to the use of safeguard measures including measures of adjustment assistance were also now under discussion in the context of the preparatory work for the trade negotiations.