GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONTRACTING PARTIES
Thirty-Third Session

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

Introduction

1. Since the thirty-second session of the CONTRACTING PARTIES in November 1976, the Committee on Trade and Development has held two meetings, comprising its thirty-third and thirty-fourth sessions, under the chairmanship of Mr. Mahmoud Abdel-Bari Hamza (Egypt).

2. At its thirty-third session held on 25 June 1977, the Committee carried out a mid-term review of the implementation of Part IV. A number of points were raised in relation to the information made available under the Committee's notification procedures with a view to seeking a basis for more meaningful reviews of the implementation of Part IV. The Committee agreed that it would revert to the question of notification procedures at its end-of-year meeting having as background a note by the secretariat. In addition, the Committee at that meeting reviewed developments in international trade, developments in the multilateral trade negotiations, technical assistance to developing countries by the secretariat and matters relating to the expansion of trade among developing countries.

3. At its thirty-fourth session which took place on 14 and 16 November 1977, the Committee carried out the annual review of the implementation of Part IV. The Committee also addressed itself to the question of notification procedures in relation to the implementation of Part IV, recent developments in international trade, developments in the multilateral trade negotiations, technical assistance by the secretariat to developing countries and the expansion of trade among developing countries. A summary of the Committee's discussion on these matters is contained in the following paragraphs.

1/ Proceedings of the meeting are contained in COM.TD/99.
Review of implementation of Part IV and review of developments in international trade

4. For its annual review of the implementation of Part IV, the Committee had before it notifications of actions relevant to Part IV provided by contracting parties and reproduced in document COM.TD/W/261 and addenda and document COM.TD/W/263 containing certain additional information relevant to Part IV available to the secretariat on commercial policy measures taken by governments and on developments in other international fora. The secretariat had also made available a note, COM.TD/W/264, reviewing developments in international trade which have a bearing on the trade and payments position of developing countries.

5. The representative of the United States, in providing information on actions by his Government supplementary to those described in COM.TD/99, paragraph 13, and COM.TD/W/261, said that following active exploration by his Government of possible improvements in its adjustment assistance programmes to make such programmes more effective in promoting structural change, an improved adjustment assistance programme had been implemented in the United States shoe industry as a type of "pilot" project. His Government believed that it could form the model for adjustment in other sectors heavily affected by imports. It was the hope of his Government that improvements in United States adjustment assistance programmes could serve as a viable alternative to the imposition of emergency measures taken at the border, or, in cases where such measures were still deemed necessary, could improve the possibility for their early removal. With regard to the GSP, the representative of the United States informed the Committee that the United States inter-agency committee charged with reviewing requests for changes to the United States GSP had agreed to consider requests for the addition of ninety-two products to the United States preferential arrangement. The list of products to be considered had been published in the United States Federal Register and the United States authorities had notified interested countries through normal diplomatic channels. Public hearings, under United States GSP procedures, had begun last week and countries that wished to make statements at the public hearings were invited to do so in accordance with the guidelines specified in the Federal Register of 19 November 1976.

6. Delegations of developing countries expressed appreciation for measures taken to liberalize access to the markets of developed countries for developing country products and the supplementary actions aimed at the promotion of developing country trade. In respect of a number of measures notified in the documentation before the Committee, further details were provided by reporting countries in response to requests made by some delegations from developing countries for additional information.
7. Many delegations of developing countries expressed serious concern about the growing number of trade restrictive actions being taken by developed countries, a high proportion of which had been directed at products exported by developing countries. In this context, the statement made by the Director-General of GATT to the Zurich Economic Society on 9 November 1977, highlighting the dangers of protectionism and suggesting the broad lines of a trade policy that would keep world trade on a course of steady expansion, was referred to. These delegations underlined the serious consequences that the current trend towards protectionism was having for their economies, and urged that developed countries make every effort to avoid resort to trade restrictive measures and in this regard take due account of the provisions of Part IV.

8. A number of delegations from developing countries referred to the important role adjustment assistance measures could play in developed countries in encouraging industries to adjust to changes in their international competitive situation, and stressed the need for adequate use of such measures instead of structural adjustments being made more difficult through resort to restrictive measures at the border. In this connexion, these delegations noted that the provisions of Part IV required, in Article XXXVII:3(b), developed countries to give active consideration to "other measures", including adjustment assistance, designed to provide greater scope for imports from developing contracting parties.

9. A number of developing country delegations referred to the situation where the introduction by developed countries of trade restrictive measures designed to protect employment in particular sectors often had the effect of causing a loss of employment in other sectors in those countries. This was because developing countries relied to a great extent on developed countries to provide the capital goods necessary for their development and any worsening in their balance-of-payments situation must inevitably have adverse effects on their import capacity to the detriment of the developed countries concerned. Thus, trade restrictive measures had the effect in developed countries of transferring unemployment from one sector, such as textiles, to others such as the capital goods sectors, which were generally more profitable and had greater potential for growth, while at the same time causing unemployment and seriously disrupting development efforts in developing countries. In this connexion, it was stated that, in 1973-75, the first years of the current economic recession, the rapid increase in imports of manufactures by developing countries from developed countries, at a time when the general level of trade exchanges fell, had had the effect of cushioning the impact of the recession on developed countries; in the current situation, the inability of many developing countries to increase their export earnings sufficiently had led to severe balance-of-payments problems and forced them to curtail or stabilize their imports.

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10. These delegations from developing countries further stated their belief that the uncertainty caused by trade restrictive measures and the threat of them was undermining the business confidence necessary for investment in their countries. It was also rendering more difficult the servicing and repayment of the very large external debt burdens of many developing countries.

11. Some delegations of developing countries proposed that the problems of access to developed country markets for developing country exports, should be taken up at the next meeting of the Committee, with a view to enabling the Committee to suggest ways of overcoming these problems. The secretariat should provide the necessary background documentation. They noted that an important function of the Committee was to present to the CONTRACTING PARTIES ideas and suggestions relating to the trade interests of developing countries. Some of these delegations also stated that such work in the Committee would not preclude consideration, in other GATT fora as well as elsewhere, of the urgent issues arising from the current wave of protectionism. Some delegations of developed countries stated that due consideration should be given to the avoidance of unnecessary duplication of work with that taking place in other GATT fora.

12. The representatives of a number of developing countries stated that a necessary prerequisite for the satisfactory implementation of Part IV was acceptance of Part IV by all contracting parties. In response, the representative of a developed country said that the considerations that had led to his country not accepting Part IV were well known and were along similar lines to those behind the demands being currently made for its revision. His country had nevertheless constantly kept in mind the trade interests of developing countries and had participated in the work of the Committee. He said that, in view of the requests made by a number of developing countries for his country to review its position in regard to Part IV, he would transmit the points that they had made to his authorities.

13. A number of delegations from developing countries referred to what they considered to be the short-comings of the present provisions of Part IV, especially with respect to the qualifying language in Article XXXVII. They noted that the provisions of Part IV were among the matters under review in the context of the multilateral trade negotiations and that the proposals made, if implemented, would constitute a good basis for an improved Part IV. The representative of a group of developed countries said that, in his view, the proposals being made for the application of special and differentiated treatment to developing countries in many areas of the negotiations constituted a most significant extension of the ideas contained in Part IV and for this and other reasons Part IV was making a significant contribution to work proceeding in the framework of GATT.

14. The representatives of a number of developing countries proposed that a standing committee, similar to that for reviewing balance-of-payments restrictions, should be established to provide a regular and automatic review of Article XIX and
similar actions taken by developed countries affecting the trade interests of developing countries and to make appropriate recommendations on them, including changes designed to minimize their effect on the trade of developing countries. A number of other delegations said that, while the proposal was interesting and deserved study in capitals, it was necessary to be cautious in considering such proposals at this stage since related proposals were already under consideration in the multilateral trade negotiations. Some delegations of developed countries expressed the view that procedures presently contained within Article XIX for the review of trade measures were sufficient. There was a feeling in the Committee that once the results of the multilateral trade negotiations became clear and the future shape of Part IV was discernable, the Committee could undertake a thorough review of its procedures and activities.

15. The Chairman, in his summing-up of the discussion on the review of the implementation of Part IV and of developments in international trade, said that it was evident from the number of interventions and the considerations taken up, that many delegations were deeply concerned about protectionist developments in international trade and their relation to the implementation of Part IV of the General Agreement. While the positive actions reported by developed countries were welcome, the increasing use of import restrictions against products of export interest to developing countries was widely noted. It was believed that the Committee on Trade and Development had an important rôle to play in reviewing such problems and suggesting to the CONTRACTING PARTIES ways which would help to overcome them. The Chairman noted that, with this end in view, many delegations of developing countries were of the opinion that the problems of protectionism as they were affecting developing country trade might be taken up at the next meeting of the Committee to enable the Committee to carry out a more detailed examination of these problems and discuss possible ways of overcoming them. To facilitate such a discussion, the secretariat could be expected to provide a general picture of recent trends in the trade of developing countries, including relevant policy measures taking into account the problems identified at the Committee's present session.

16. The Chairman also noted that, with a view to ensuring the fuller application of Part IV, the Committee urged those contracting parties not yet having accepted the Protocol Amending the General Agreement to Introduce a Part IV on Trade and Development to do so in the near future.

Notification procedures

17. As agreed at its last meeting, the Committee reverted to the question of the notification procedures followed by the Committee for its review of the implementation of Part IV, on the basis of a secretariat note, COM.TD/W/260, containing factual information on notification procedures relating to the implementation of Part IV followed by the Committee, the experience of the
Committee with respect to such procedures and a summary of the observations and suggestions that had been made previously on this subject. Many delegations observed that the notification of trade restrictive actions had been less thorough than notifications on positive measures taken by contracting parties. There was a general feeling that for one reason or another, the existing notification procedures were not being complied with to the fullest extent possible and what was needed, among other things, was a particular effort to provide full and comprehensive information in response to the guidelines circulated in an airgram each year.

18. Delegations of many developing countries were of the view that improvements to the procedures, as well as better application of existing procedures, were required. They stressed, in particular, the desirability of developed countries making a greater effort to report on the "compelling reasons" underlying trade restrictive actions, including the provision where necessary, of supporting statistical material, so as to permit a more meaningful discussion of these measures in the Committee. The point was made by these developing countries that, since in some countries this sort of information was made available in the reports of public bodies considering requests for protection, there should be no difficulty in submitting such information including reasons therefore in those cases where restrictive action was taken on products of interest to developing countries.

19. A number of delegations said that one approach to improving the notification procedures of the Committee would be to build on a mechanism of "reverse notifications" by developing countries, whereby additional information could be given bilaterally or multilaterally in response to requests from the developing countries concerned. One delegation believed that any procedure requiring notification of trade restrictive actions by the country taking the measure concerned was unlikely, for psychological reasons, to result in comprehensive reporting because of the element of self-accusation involved. Some delegations of developed countries stated that the reasons for trade restrictive actions were generally provided in the notification procedures required under various GATT provisions, such as Articles XII and XIX. One of these delegations said that in cases where the reasons for trade actions were not clear, interested parties might consult under Article XXXVII:5 or place questions at the Committee's reviews of notifications. In certain instances, countries applying restrictions could be required to explain them under the procedures of Article XXXVII:2.

20. Delegations of a number of developing countries expressed the view that the notification procedures provided for elsewhere in the GATT did not fully meet the requirements of those under Part IV, because they did not contain any requirement to relate the actions to the relevant provisions of Part IV. A further point made by some delegations of developing countries was that, although a procedure of "reverse notifications" could have a role to play, it could not be regarded as a substitute for the provision by developed countries of comprehensive information on specific trade restrictive actions, including "the compelling reasons" for such actions, since only developed countries were in a position to give such information.
21. It was also stated by some delegations that the inadequacy of notification procedures and their limited implementation was a general question in the GATT and not one peculiar to the Committee. Some delegations recalled that notification procedures were being closely examined in a number of Groups and Sub-Groups of the MTN, such as the Group "Framework", the Group "Safeguards" and those Sub-Groups working on codes of conduct, and felt that the outcome of the negotiations would have a bearing on the final shape of any modifications to existing notification procedures in the Committee on Trade and Development. It was also noted that the question of the notification of trade restrictive actions had been discussed in the Consultative Group of Eighteen and that the secretariat had indicated its intention to monitor trade actions and prepare periodic reports on them. One delegation of a developed country in welcoming this initiative, expressed his country's willingness to help the secretariat to ensure that the system was comprehensive and accurate. He believed that the monitoring system could aid the Committee in fulfilling its functions.

22. A number of delegations from developing countries considered that the secretariat could also play a greater rôle in providing the Committee with the necessary information for its reviews of the implementation of Part IV. It was suggested that the secretariat, in its background documentation, might attempt to indicate as far as possible how the trade of developing countries was being affected by particular measures and throw light on the reasons behind specific restrictive measures.

23. One delegation proposed that a short summary of pertinent activities in other bodies of GATT, bearing on the trade interests of developing countries, could usefully be included in the secretariat background note. One delegation noted that the secretariat documentation contained no information on the activities of the International Trade Centre; he suggested that, since these activities were relevant to Part IV, the secretariat should cover them in its background information to permit the Committee to review developments in that body.

24. In his summing-up of the discussions on this subject, the Chairman noted the Committee's view that more time was required for reflection and consultation on how notification procedures might be improved and made more comprehensive, if that was necessary. While it was agreed that the matter should be included on the agenda for the next meeting of the Committee, some members believed that they would be better placed to draw firm conclusions as to the need for any modifications etc. to existing notification procedures relating to the implementation of Part IV when the MTN's had been concluded. It was also noted that there was a widely shared view that for one reason or another, the existing reporting procedures were not being complied with to the fullest extent possible and that contracting parties should make a particular effort to provide, in their notifications, as full and comprehensive information as they found possible to
submit in the light of the procedures and guidelines for notifications adopted by the Committee in 1965 and elaborated in June 1966. It was felt that, without prejudice to possible improvements in existing notification procedures, such comprehensive reports could be helpful as a basis for constructive discussions on the implementation of Part IV. It was recognized that developing countries could also submit 'reverse' notifications, with the assistance of the secretariat, concerning trade measures affecting their trade for examination by the Committee. The Committee invited the secretariat to take note of the various suggestions made for possible improvements to the background information it provided for the Committee's reviews of the implementation of Part IV and asked it to examine the possibility of effecting such improvements as may be considered useful, within the terms of the guidelines provided with respect to this activity.

Developments in the multilateral trade negotiations

25. The Committee had before it a secretariat note, COM.TD/W/265, summarizing developments in the various areas of the multilateral trade negotiations since its last meeting in June 1977. A number of delegations of developing countries expressed concern at the slow progress which continued to characterize certain important areas of the trade negotiations; particular mention was made in this connexion of the Groups 'Tropical Products', 'Safeguards' and 'Tariffs'. The need for a decision, at the earliest possible date, on a tariff-cutting formula was stressed. The importance of progress in the work of the Group 'Framework' was also mentioned.

26. Some delegations of developing countries said that, according to information available to them, intensive informal consultations and discussions were being held between developed country participants with a view to arriving at some understanding or agreement on basic issues relevant to further progress in the negotiations. It was suggested that developing countries should also be invited to participate in these informal consultations and discussions. This would not only permit developing countries to indicate specific areas of interest to them where special and differentiated treatment could be extended, and for which they had already submitted concrete proposals, but would also speed up the process of negotiations.

27. The representatives of some developed countries indicated that they supported the request of developing countries to be associated as closely as possible with the work being done in the MTN, and not only with respect to special and differentiated treatment but also in connexion with other questions. In their opinion, one of the objectives of the MTN was to seek certain rules, of which special and differentiated treatment was a part - rules which would facilitate the attainment by developing countries of a stage that should enable them to assume the general rights and obligations of the GATT. They welcomed the fact that many developing countries were participating very actively in the negotiations by making concrete proposals and they expressed the hope of seeing them joined by still more developing countries.
28. The representative of one developing country said that the Committee, without duplicating the work of the Trade Negotiations Committee, its Groups and their Sub-Groups should undertake more comprehensive reviews of developments in the multilateral trade negotiations with particular reference to issues of interest to developing countries, so that any useful suggestions or elements arising out of the Committee's deliberations might be brought to the attention of the TNC or its Groups and their Sub-Groups, as considered appropriate.

Technical assistance

29. The Committee took note of document COM.TD/W/266, which summarized the work being done by the secretariat in providing technical assistance to developing countries in order to facilitate their participation in the multilateral trade negotiations. Many delegations of developing countries expressed their appreciation for the assistance they had received from the secretariat under the MTN technical assistance programme which had helped them in formulating their positions and meeting certain time-tables with respect to matters of interest to them in the multilateral trade negotiations. They expressed the hope that the resources of the Special Assistance Unit would be maintained at a level that could cope with the increasing demand for assistance that would be required by developing countries as the trade negotiations moved ahead.

30. Members of the Committee supported the value and usefulness of such technical assistance to developing countries which was being oriented to meeting their needs in the light of developments in the multilateral trade negotiations. They welcomed periodic reports on the activities of the secretariat in this field.

Expansion of trade among developing countries

31. The Committee had before it the Fourth Annual Report to the CONTRACTING PARTIES submitted by the Committee of Participating Countries on the operation of the Protocol Relating to Trade Negotiations Among Developing Countries (L/4561 and Add.1).

32. In commenting on the Annual Report, some delegations of developing countries participating in the Protocol noted that the results achieved so far, although modest in nature, demonstrated that trade arrangements among developing countries contributed to the fostering of self-reliance and co-operation among developing countries. Trade in scheduled items had continued to increase in spite of the difficult global economic situation. With regard to the preliminary technical work taking place in connexion with a possible new round of trade negotiations among developing countries, it was noted that some forty-six developing countries were so far taking part in this exercise. Participating countries urged other developing countries to associate themselves with the work programme outlined in
the Report. In this connexion, it was noted that participation in the technical work did not commit any country to enter into negotiations that may eventually take place. In the meantime, the interest by developing countries in acceding to or exploring possibilities for accession to the Protocol would continue to receive full support and encouragement from members of the Committee of Participating Countries.

33. The Committee took note of the Report which will be taken up at the thirty-third session of the CONTRACTING PARTIES.

Date of next meeting

34. The Committee agreed that the date of its next meeting would be determined by the Chairman in consultation with delegations.