

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Thirtieth Session

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

### Introduction

1. Since the twenty-ninth session of the CONTRACTING PARTIES, the Committee on Trade and Development has held two meetings, comprising the twenty-seventh and twenty-eighth sessions, under the Chairmanship of Dr. Petar Tomić (Yugoslavia). At these meetings the Committee has, inter alia, reviewed the overall situation affecting the trade of developing countries and has also taken note of points of interest in the context of preparations for and the participation of developing countries in the multilateral trade negotiations.

2. At its twenty-seventh session<sup>1</sup> held on 24-25 June 1974, the Committee, in addition to carrying out a review of the implementation of the provisions of Part IV of the General Agreement, addressed itself to developments affecting the trade and payments situation of developing countries with particular reference to developments in trade in major commodities. In this connexion, the Committee generally agreed that there was an urgent need to avoid the imposition of restrictions on imports from developing countries and to work out effective measures aimed at securing a further expansion of these imports through appropriate measures in all areas to which the

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<sup>1</sup>Details of the discussions and the views expressed on particular items at the twenty-seventh session of the Committee are contained in the secretariat note on proceedings (COM.TD/95).

multilateral trade negotiations are addressed. At the same meeting, the Committee also reviewed the technical assistance activities of the secretariat directed towards assisting developing countries in their preparations for the multilateral trade negotiations and endorsed the programme of work outlined in document COM.TD/W/211.

3. The twenty-eighth session of the Committee, which was held on 6 and 7 November 1974, carried out the annual review of the implementation of Part IV, reviewed recent developments in international trade with particular reference to recent changes in commodity prices, reviewed technical assistance activities and discussed the future work of the Committee.

#### Review of implementation of Part IV

4. At its June session, the Committee had taken note of information provided by delegations of a number of countries regarding recent measures adopted by them to provide improved access to exports from developing countries through GSP schemes and mfn tariff cuts as well as various forms of technical assistance. For the annual review of the implementation of Part IV of the General Agreement, the Committee had before it information provided by governments as well as relevant information collated by the secretariat (COM.TD/W/217 and addenda and COM.TD/W/218, respectively). Certain additional information was provided to the Committee by a number of delegations.

5. The delegation of Austria said that the Austrian Government had introduced a new law on 22 October 1974, whereby duty-free treatment for hand-made products had been provided in respect of ninety items of interest to developing countries and a 50 per cent reduction had been effected on thirty-five items or tariff lines as well as on certain textiles.

6. The delegation of Sweden said that although no new measures had been taken by Sweden since the last meeting of the Committee, Sweden was a major contributor to the International Trade Centre and collaborated in the activities of that body. The Swedish Import Promotion Centre, the establishment of which had already been reported, was about to commence its activities for the benefit of developing countries.

7. Some delegations of developed countries stated that new elements which could be included in the Generalized System of Preferences of the Communities for 1975 were under consideration. In respect of industrial goods, other than textiles, it was planned to shorten the list of products subject to tariff quotas and to raise the ceilings. For processed agricultural products, a product-by-product approach had been adopted with a view to increasing both the number of products covered and the preferential margin. This would raise the value of preferential imports covered by the scheme to over \$3 billion as compared to the 1974 figure of \$1.7 billion.

8. These delegations drew attention to certain observations contained in document MTN/3A/W/10, which summarized the results of the secretariat study on the implications of MFN reductions on the GSP. With reference to the statement that about 59 to 61 per cent of imports of industrial products from countries benefiting from the GSP were covered by the EEC scheme, it was indicated that over 80 per cent of imports into the EEC from developing countries entered duty-free on an m.f.n. basis. In addition, the EEC scheme covered all categories of processed and semi-processed products including

textile products, the benefits of which were extended to countries having signed the Arrangement Regarding International Trade in Textiles or had undertaken similar obligations on trade in textiles.

9. Some delegations of developed countries recalled that possibilities of new types of action that could be adopted for finding solutions to problems in the field of commodity trade were under consideration in various international fora and that the Communities were prepared to co-operate in efforts in this field. Reference was also made to the negotiations which were at present proceeding between the member States of the Communities and certain developing countries in Africa, the Caribbean and the Pacific. The proposals which were under consideration provide, inter alia, for the stabilization of export receipts of individual countries from the export of certain products. In the event of there being a decrease in annual export earnings due to fluctuations in prices or quantities, it was proposed that the country concerned would be entitled to ask for a financial transfer. It was hoped that the terms of such a scheme would be finalized in the near future.

10. In reply to questions, these delegations said that the arrangement being worked out was not intended to affect the trade of third developing countries and that the question of the extension of the stabilization scheme to other developing countries was not under discussion.

11. The delegation of Japan drew the attention of the Committee to the submission by the Japanese authorities circulated as COM.TD/W/217/Add.1 and Corr.1 and referred in particular to the growth in imports from developing countries and the various forms of expanded assistance being provided by Japan to developing countries.

12. A number of developing countries expressed concern at the emergency action taken by some developed countries with respect to certain types of bovine meat particularly as a significant portion of their trade was involved. They expressed the view that such action was contrary to the spirit of Part IV and should be withdrawn at the earliest practicable date.

13. Some delegations of developed countries stated that the circumstances which in their view justified the emergency action on certain types of bovine meat had not changed, notwithstanding the efforts made to find remedies for the present situation. Consequently, the emergency action had been extended recently for a further period and consultations were in progress with a number of exporting countries, including developing countries, in relation to the problem.

14. Delegations of developing countries reiterated the importance of exempting products of export interest to them from the application of the Italian import deposit scheme. Some delegations of developed countries explained that it had not been possible to provide for such exemption because the scheme had been introduced to cope with the severe balance-of-payments difficulties facing Italy.

To provide differentiated treatment to imports from developing countries would in their view have weakened the effectiveness of the measure. However, it was hoped that the scheme could be eliminated early next year. One delegation expressed the view that measures taken for balance-of-payments reasons should be applied on a non-discriminatory basis.

15. In response to a suggestion that the exports of developing countries should be excluded from countervailing duty action, one delegation stated that in his country statutory provisions would not permit the extension of differentiated

treatment to imports from developing countries in this field. However, he noted that this was a matter under consideration in the context of the multilateral trade negotiations and should a solution be worked out involving differential treatment then it would be possible to envisage the consideration of changes in his country's legislation.

16. In response to a question, one delegation explained that the decision relating to the handling of all imports of raw silk by the Japanese Raw Silk Corporation was concerned with a change in procedures for the period 1 August 1974 to 31 May 1975. The intention was to terminate this measure when there were reasonable prospects of a recovery in the market conditions for raw silk and for the stabilization of its price.

#### Review of developments in international trade

17. The Committee exchanged views on recent developments in international trade affecting the interests of developing countries with particular reference to recent changes in commodity prices on the basis of secretariat notes COM.TD/W/212 and COM.TD/W/215. Several delegations noted that during the first three quarters of 1974 the general slowdown in economic activity in industrial countries had become more pronounced than forecast earlier in the year. The overall index of commodity export prices (excluding petroleum but including non-ferrous metals) which had risen during the first quarter of 1974 had tended to decline since the middle of the year, while import prices of manufactures had continued to rise steadily throughout the year at a rate higher than in 1973. As a result of the adverse movements in their terms of trade, the trade and payments situation of many developing countries (excluding petroleum exporters) had begun to experience a significant deterioration in recent months.

18. Several delegations noted that this situation had been aggravated by trade restrictions imposed by a number of developed countries without taking into consideration the interests of developing countries under the provisions of Part IV of the General Agreement. In their view imports from developing countries constituted only a small proportion of total imports of products in respect of which restrictions had been imposed so that these countries were being penalized even though they had not contributed in a significant way to the difficulties which led to the imposition of restrictions.

19. Delegations of some developed countries said that it was too early to state that recent changes in prices of commodities exported by developing countries represented a trend. They noted that not only developing countries but a large number of developed countries were having balance-of-payments difficulties in 1974. In this connexion, it was also stated that while prices of the main commodities exported by developing countries had tended to fluctuate, both the volume of their exports of manufactured goods and the price of these goods, had been increasing steadily. This situation which might be attributed, at least partially, to the GSP, could mark, in the view of these delegations, the beginning of a more favourable trend for the trade and payments situation of developing countries.

20. One delegation considered that the significant increase in petroleum prices with its consequential effects on costs of transport and in industry etc. had been made a major factor contributing to world inflation and was also relevant to the deteriorating balance-of-payments situation of many developing countries.

21. Some delegations recalled the declaration adopted by the OECD countries in terms of which they had pledged to refrain from introducing import restrictions for balance-of-payments reasons for one year. These members noted that some OECD countries had expressed a readiness to consult on developments relating to the implementation of the Declaration in the Committee. Despite this, a number of developed countries had found it necessary to intensify existing restrictions or to introduce new restrictions in the interim period since the last meeting of the Committee, thus aggravating the trade and payments situations of developing countries. These delegations called for more effective consultations when such measures were being contemplated.

22. The Committee agreed that the review of developments in international trade had proved useful and should be pursued at future meetings.

#### Technical assistance

23. A note outlining the technical assistance provided by the secretariat to developing countries participating in the trade negotiations was circulated as COM.TD/W/216, supplementing information contained in an earlier document (COM.TD/W/211) on this subject.

24. Many delegations expressed appreciation for the technical assistance being provided by the secretariat in connexion with the preparations of developing countries for the multilateral trade negotiations. In noting that this work was likely to intensify as the negotiations proceeded, particular appreciation was expressed for the establishment of a Special Assistance Unit to focus on this activity.



25. Among the matters being followed-up in connexion with technical assistance, reference was made to a number of aspects including those in relation to country studies, area studies, establishment of a data bank, work on sectors and non-tariff barriers and in the field of tropical products. Particular interest was expressed by some delegations in the early completion of certain area studies and also of the secretariat tabulations on the effects on the Generalized System of Preferences of different negotiating hypotheses for tariff reduction.

26. The Committee endorsed the work being undertaken in the field of technical assistance and indicated that it would continue to keep this matter under review at future meetings so as to be in a position to offer comments and make suggestions in the light of developments in the multilateral trade negotiations.

#### Future work

27. To facilitate a discussion on the future work of the Committee, a background note (COM.TD/W/219) reproduced the Committee's terms of reference and provided information on certain of its activities over the last decade.

28. Some delegations suggested that, in addition to its regular activities, such as those concerning the implementation of Part IV, the Committee might be asked to follow developments relating to the interests of developing countries in the multilateral trade negotiations and, where appropriate, make suggestions which might be taken up for consideration in the context of the negotiations. For this purpose, the Committee might undertake periodic reviews of progress in the negotiations having regard to the objectives relating to developing countries contained in the Tokyo Declaration, thus supplementing any review

procedures which might be undertaken in the Trade Negotiations Committee. In this connexion, some delegations stated that in the normal course overlapping with the work of the Trade Negotiations Committee should be avoided. Some delegations considered, however, that the scope of such activity would fall within the provisions of the General Agreement relating to the implementation of Part IV.

29. Some delegations, in noting that the consultation procedures provided for in Article XXVII:2(b)(i) had not so far been utilized, suggested that the Committee might consider how they could be strengthened, having regard to the objectives and commitments contained in Part IV.

30. The Committee welcomed the suggestion that it might serve as a forum for following developments in connexion with the Protocol Relating to Trade Negotiations Among Developing Countries.

31. The Committee generally agreed that it should continue to follow and take note of developments in the multilateral trade negotiations so that it could consider what appropriate contributions it could make. The Committee agreed to revert to this matter at its next meeting.