

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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

### Introduction

1. Since the thirtieth session of the CONTRACTING PARTIES, the Committee on Trade and Development has held two meetings, comprising the twenty-ninth and thirtieth sessions, under the Chairmanship of Mr. Olijide Alo (Nigeria). At their thirtieth session, members welcomed Colombia as a full member of the Committee.
2. In addition to the review of the implementation of Part IV as required by its terms of reference, the Committee's activities during the year covered the following subjects: the application of Part IV of the General Agreement in relation to the objectives it is intended to serve, developments in the multilateral trade negotiations with particular reference to issues of special interest to developing countries, technical assistance to developing countries in the context of the trade negotiations, a review of developments in international trade and the expansion of trade among developing countries.
3. At the twenty-ninth session of the Committee held on 22 and 23 May 1975<sup>1</sup>, a mid-term review of the implementation of Part IV was undertaken and a number of points were raised in connexion with the adequacy of Part IV of the General Agreement and the General Agreement as a whole in the light of developments in the international

<sup>1</sup>Details of the discussions and the views expressed on particular items at the twenty-ninth session of the Committee are contained in the secretariat note on proceedings COM.TD/97.

trading system. In addition, it was suggested that developments in the multilateral trade negotiations might be treated as a separate item of the agenda, so that the Committee could follow developments in this regard more closely. With respect to the review of developments in international trade, having particular regard to trade in primary commodities, concern was expressed at the growing balance-of-payments deficit of oil-importing developing countries. The importance of the observance of the commitment provisions of Part IV and the need to work out effective measures for the expansion of the exports of developing countries through appropriate measures in all areas to which the multilateral trade negotiations are addressed, were stressed. At its twenty-ninth session, the Committee also reviewed the technical assistance being provided by the secretariat to developing countries participating in the trade negotiations and took note of developments relating to the expansion of trade among developing countries.

4. At the thirtieth session of the Committee held during the period 12 to 14 November 1975, the annual review of the implementation of Part IV was carried out. In addition, the Committee discussed questions relating to the application of Part IV, recent developments in the multilateral trade negotiations, technical assistance, developments in international trade the emphasis being on points relevant to the interests of developing countries and the expansion of trade among developing countries.

#### Review of the implementation of Part IV

5. The Committee had before it document COM.TD/W/234 and addenda containing information provided by governments with respect to the implementation of Part IV and document COM.TD/W/233 containing certain additional material available to the secretariat relevant to Part IV including references to certain developments in other international organizations as well as the record of the discussion on this point at its last meeting.

6. The representative of Canada referred to action being considered by his country with respect to handicraft products, in response to requests for duty-free treatment from developing countries. He said that as Canada was undertaking a review of its Generalized System of Preferences it was interested in hearing proposals from developing countries. Referring to the suspension by his country of the preferential tariff on rubber footwear, he said that the Canadian preference scheme did not allow for ceilings on preferential imports and that in introducing the GSP, his Government had indicated that, since the scheme covered products where damage might be caused to Canadian industry, safeguard action in the first phase of its application might have to be taken. He considered that the adjustment assistance measures that Canada was taking in respect of rubber footwear were in accordance with the wishes expressed by developing countries. If the industry did not prove itself to be viable within a specified period of time, then preferential treatment to developing countries would be restored.

7. The delegation of the European Communities said they had recently signed trade co-operation agreements with Mexico and Sri Lanka and that negotiations were under way with Pakistan and Bangladesh with a view to the conclusion of similar agreements. He also referred to meetings of joint bodies consisting of the EEC and certain developing countries or groups of developing countries. In these ways, the Community was responding in a concrete manner to the objective of expanding its commercial relations with developing countries. As regards the Generalized System of Preferences, he said that the Council of the European Communities had agreed to improvements to take effect from 1 January 1976. These involved modest but significant improvements taking into account in particular the needs of the least developed countries. On processed agricultural products, preferential rates

were to be cut as a general rule by 10 per cent of their 1975 level. As regards industrial products other than textiles, most ceilings and quotas were to be raised by a general level of 15 per cent. For textiles, the régime applicable in 1975 is to be continued with certain modifications, including an increase of 5 per cent in ceilings and quotas over the 1975 levels and the addition of new countries and dependent territories in the list of beneficiaries. In order to ensure the full use of the available possibilities for preferential access by developing countries, the Community had organized seminars in several developing countries at their request and in November 1975, representatives of eighteen developing countries were scheduled to attend a meeting in Brussels organized by UNCTAD/UNDP, on the GSP.

8. The delegation of Finland said that in 1974, exports by his country to developing countries had risen 62 per cent and imports 93 per cent, thereby producing a deficit in trade with developing countries of 600 million Finnish marks. In 1974 about 70 per cent of total imports from developing countries and 96 per cent of imports of manufactured goods from these countries entered Finland duty-free. He said that it was the intention of his Government to abolish its import deposit scheme not later than 24 March 1976.

9. The representative of Japan said his Government recognized the special problems of some developing countries and intended to play a constructive rôle in the various international dialogues under way with a view to relieving these difficulties. He indicated that Japan actively supported the negotiations for new international arrangements on tin and cocoa and said that his Government was intensively pursuing the necessary ratification procedures.

10. The representative of Norway said that at the last session of the Committee on Trade and Development in May 1975 he had informed the Committee that a comprehensive report had been submitted to the Parliament covering the whole spectrum of his country's economic relations with developing countries (COM.TD/97, paragraph 11). At the Seventh Special Session of the General Assembly, Norway supported the proposal for a new international economic order and alluded to concrete measures such as the negotiation of commodity arrangements it would support. He believed that the actual solutions to the problems of developing countries in the light of the results of the Seventh Special Session would have to be found in specialized organizations, including the GATT and the Committee on Trade and Development.

11. The delegation of the United States said that his Government had announced its intention to introduce a generalized system of preferences on 1 January 1976. With regard to the list of beneficiaries, the President had this week, informed Congress of his intention to designate Cyprus, Hong Kong, Israel, Romania, Somalia, Turkey, Christmas Island and the Cocos Islands as eligible. A number of other developing countries were also being considered. With regard to the product coverage, the President also proposed in March a list of products for inclusion in the GSP. Since administrative formalities in this regard were about to be completed, the final list of products was expected to be published in the very near future. He added that his Government attached great importance to an open trading system on which the future well-being of all countries depended and to international action to facilitate expansion of exports of developing countries taking into account, inter alia, commitments under Part IV.

12. While appreciative of the positive measures which had been taken by some developed countries in relation to the implementation of Part IV, delegations from developing countries expressed concern, however, at the continued maintenance of restrictions introduced earlier and the imposition of new barriers by some countries on products of export interest to developing countries which indicated, among other things, that the standstill provisions of Article XXXVII had not been respected in the manner that had been envisaged. In this context, it was noted for example, that new tariff barriers, particularly on products of vital interest to developing countries, including textiles and footwear, had been imposed. The view was expressed that in such sectors in which developing countries possessed a comparative advantage, the developed countries should refrain from affording protection to uneconomic production and should consider providing adjustment assistance so as to facilitate imports from developing countries.

13. Many delegations commented on the application of Part IV in the light of the objectives it was intended to serve.

14. The view was expressed by delegations from developing countries that, having regard to the experience of their countries in recent years, Part IV was not meeting its objectives, including, inter alia, the rapid and sustained expansion of the export earnings of developing countries. Taking into account the political commitments embodied in the Tokyo Declaration and those arising out of the Seventh Special Session of the General Assembly, they believed there was now a possibility of translating these commitments into practical action.

15. Some of these delegations recalled that the terms of reference of the Committee on Trade and Development enabled it to consider, inter alia, whether modifications of or additions to Part IV are required and felt that it was now appropriate that work should begin in this area taking into account the relevance of other parts of the General Agreement in the light of the interests of developing countries. These delegations suggested that the secretariat should prepare documentation covering the experience of the application of Part IV and proposals for improvements to this chapter of the General Agreement. In this connexion, it was recalled that the Committee had, in the preparatory stages of the negotiations, played an important rôle in the evolution of ideas on points of interest to developing countries leading to the formulation of concrete proposals for later consideration.

16. Delegations from developing countries said that preliminary work by the Committee in this area would facilitate the consideration of improvements in the framework for the conduct of world trade to be taken up at the appropriate time in the context of the multilateral trade negotiations.

17. Some delegations of developed countries considered that there was need to await progress on substantive issues involving possible amendments of existing GATT provisions which were currently under negotiation in the various Groups and Sub-Groups of the TNC. Some of these delegations, while agreeing with the view that it was important that participants in the trade negotiations should be starting to address themselves to questions relating to the review of the framework for the conduct of world trade, felt that the Trade Negotiations Committee

was the forum where this matter should most appropriately be taken up. However, in the light of the statements made by delegations of developing countries with respect to this matter and recognizing the important rôle of the Committee on Trade and Development, some of these delegations said that they could agree to the preparation of a background paper by the secretariat summarizing the various observations and proposals put forward in the Committee since its inception and in other GATT bodies concerning the review of the provisions of Part IV.

18. The Committee agreed that proposals and comments made by delegations on the question of a review of the provisions of Part IV and of other provisions in the GATT relating to the trade interests of developing countries should be noted in its report. It was also noted that as many countries represented in the Committee on Trade and Development were participants in the multilateral trade negotiations, including the TNC, its Groups and Sub-Groups, the discussions and suggestions on this subject in the Committee would be expected to reflect themselves in the deliberations of these bodies.

19. The Committee agreed to request the secretariat to prepare a background note which would provide information on the experience of contracting parties with respect to the application of Part IV as well as a summary of the specific observations and suggestions which have been made in the Committee on Trade and Development and other GATT bodies with respect to a review and possible amendment of the provisions of Part IV. The Committee agreed to come back to this item at its next meeting.



#### Multilateral trade negotiations

20. The Committee discussed recent developments in the multilateral trade negotiations on the basis of a secretariat note summarizing these developments (COM.TD/W/235 and Add.1). Some delegations of developing countries expressed concern at the lack of progress in the negotiations as a whole, particularly on points of interest to developing countries and referred to certain problems relating to their participation in the negotiations, notably the question of reciprocity. They recognized, however, that work in certain areas had advanced further than in some other areas. Particular reference was made to the importance of priority treatment in the field of tropical products, in terms of timing, product coverage, depth of concessions and in negotiating approaches.

21. A number of delegations from developing countries referred to the importance of reaching agreement on special procedures for negotiations which would secure for developing countries the differentiated treatment and priority attention envisaged in the Tokyo Declaration. Special treatment of this kind seemed all the more desirable in view of the trends and developments evident in world trade and in trading relationships.

#### Developments in international trade

22. The Committee reviewed recent developments in international trade particularly as they affect the interests of developing countries on the basis of a note by the secretariat (COM.TD/W/236). Delegations of a number of developing countries stressed the severe effect of recession in the world economy and of inflationary trends in developed countries on the economies of the oil-importing developing

countries. These delegations expressed particular concern at the behaviour of primary commodity prices for products exported by developing countries other than oil, which had declined consistently during the first half of 1975 while prices paid by them for their imports had continued to increase. This had led to increasing deficits in their external accounts.

23. Several delegations referred to the need for strengthening international commitments to the maintenance of an open world trade régime, which would require further liberalization in trade and payments and the avoidance by developed countries of the imposition of restrictions on trade which had the effect of limiting exports from and development possibilities in developing countries. In this connexion the Committee noted points contained in paragraph 12 of document COM.TD/W/236 relating to the review of developments in international trade.

#### Technical assistance

24. In stressing the value and usefulness of the technical assistance being extended by the secretariat to developing countries in connexion with their participation in the multilateral trade negotiations, representatives of developing countries and other members of the Committee supported the continuation and strengthening of the technical assistance activities of the secretariat outlined in documents COM.TD/W/225 and COM.TD/W/237. Some specific suggestions on certain aspects of technical assistance work already in hand in the secretariat were made by some developing countries. It was also suggested that given the limited resources for technical assistance available within the GATT secretariat and the UNDP/UNCTAD technical assistance programme, close co-ordination between the services of the organizations concerned would facilitate the maximum use of these resources.

#### Expansion of trade among developing countries

25. The Committee had before it the second annual report of the Committee of Participating Countries (L/4238). In noting that trade among participating countries in products subject to concessions continued to be modest, reference was made by some members to the trade expansion which had taken place with respect to these products.

26. The Committee also noted that no contracting party had requested consultations with participating countries in connexion with the operation of the arrangements under the Protocol or on the observance of the Decision of November 1971. One member stated that his country continued to have certain reservations about the

Protocol including the situation where the preferences embodied in it were not extended to all developing countries. He suggested that consideration might be given to m.f.n. tariff reductions among developing countries which would lead to the expansion of their mutual trade.

27. Representatives of countries participating in the Protocol stated that although the arrangement was still in its formative stages, they were encouraged by the positive developments reflected in the annual report. They urged all developing countries to consider adherence to the Protocol, so that membership, product coverage and the scope of the concessions could be significantly expanded.

In this connexion, some members took note of the possibilities for accession by other countries provided in the Protocol.

28. The Committee took note of the report which would be taken up by the CONTRACTING PARTIES at their thirty-first session.

Date of next meeting

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