

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)69  
28 October 1982

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CONTRACTING PARTIES  
Thirty-Eighth Session

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

### Introduction

1. Since the thirty-seventh session of the CONTRACTING PARTIES in November 1980, the Committee on Trade and Development has held three meetings, comprising its forty-sixth, forty-seventh and forty-eighth sessions, under the Chairmanship of H.E. Ambassador F. Jaramillo (Colombia).
2. The proceedings of the forty-sixth and forty-seventh sessions are contained in documents COM.TD/110 and COM.TD/112 respectively.
3. The forty-sixth session took place on 5-6 April 1982. At that meeting, the Committee reviewed the progress made in the Programme of Consultations on Trade Liberalization in the areas of tropical products and quantitative restrictions that had been held in March 1982 in accordance with the decision of the Committee at its forty-sixth (November 1981) session. The Committee had before it two information notes reporting on the consultations, one on quantitative restrictions (COM.TD/W/362) and the other on tropical products (COM.TD/W/363). The Committee considered how work on tropical products and quantitative restrictions could be carried forward, having regard to the forthcoming Ministerial meeting. The Committee agreed that the Ministerial meeting presented an opportunity for the consideration of specific measures of trade liberalization and of appropriate modalities for carrying forward the unfinished process of liberalization, and that it could carry out preparatory work to this end, with a view to facilitating decisions by Ministers. The Committee also discussed the contribution that

it could make to the preparatory work for the Ministerial meeting in respect of other issues directly falling within the competence of the Committee and in regard to aspects of global issues of priority concern to developing countries. In addition to points for discussion in this context raised in a secretariat note COM.TD/W/360, the Committee had before it a secretariat paper on technical assistance for developing countries (COM.TD/W/359), describing the evolution and present status of GATT technical co-operation and training activities and an assessment of future needs in these areas. The Committee agreed that the note on the proceedings of its meeting (COM.TD/110) should be forwarded to the Preparatory Committee as a contribution to the preparatory work for the Ministerial meeting.

4. At its forty-seventh session, held on 1-2 July 1982, the Committee carried out a mid-term review of the implementation of Part IV and the operation of the Enabling Clause on the basis of a secretariat background note (COM.TD/W/367). The Committee took note of a report on the operation of the Bangkok Agreement (L/5243) submitted by the Standing Committee of that Agreement having regard to paragraph 2(c) of the Enabling Clause. The Committee considered certain proposals put forward by delegations of some developing countries in regard to Part IV, the Enabling Clause and the GSP for consideration by the GATT Ministerial meeting. The Committee reviewed developments in international trade affecting the trade and payments position of developing countries on the basis of secretariat document COM.TD/W/368; this review highlighted the grave economic and trading situation of many developing countries, and the importance of appropriate conditions of access to markets for their trade and development prospects. The Committee heard an oral report on the third meeting of the Sub-Committee on Trade of Least-Developed Countries from Ambassador Ewerlof (Sweden), the Chairman of

the Sub-Committee, and had before it a note on the proceedings of the Sub-Committee's meeting (COM.TD/LLDC/3); the Committee's discussions on this matter focused in particular on the suggestions for action by the GATT Ministerial meeting in favour of the least-developed countries that had been made by the Chairman of the Sub-Committee in the light of the discussions at its meeting. In regard to the Committee's work on trade liberalization, the Committee considered specific proposals for consideration by the Ministerial meeting in the areas of tropical products, quantitative restrictions and tariff escalation. The Committee also had a further exchange of views on the contribution that it could make to the GATT Ministerial meeting both generally and in regard to technical assistance to developing countries. The Committee agreed that the proceedings of its session (COM.TD/112), containing a record of its discussions, the text of the Chairman's conclusions on the Committee's further contribution to the preparations for the Ministerial meeting and the texts of the various proposals and suggestions that had been made in that respect during the course of the meeting, should be forwarded to the Preparatory Committee.

5. For its forty-eighth session, held on 25 and 28 October 1982, the Committee had on its agenda the following items: review of developments in international trade; review of the implementation of Part IV and of the operation of the Enabling Clause; Sub-Committee on Protective Measures; work on trade liberalization; technical assistance to developing countries; expansion of trade among developing countries; and the GATT Ministerial meeting. A report of the discussion on these questions is contained in the following paragraphs.

Review of developments in international trade

6. The Committee had before it, in document GATT/1319, the main conclusions of the GATT annual report, International Trade 1981/82. The first section of

GATT/1319 reviewed the latest data on world trade, production and other aspects of the world economy in 1981 and the first half of 1982; the second section focused on the issues confronting policy makers in their search for ways of improving the present economic situation.

7. Representatives of some developing countries stressed the grave economic problems faced by many developing countries and the responsibility of external factors for this situation. They referred to the continuing deterioration in the terms of trade of oil-importing developing countries, to the massive current account deficit of these countries, and to the increased debt servicing burdens and difficulty in raising foreign loans faced by many developing countries. They said that, in these circumstances, the import demand of developing countries could not continue to make the major contribution to sustaining world trade and economic activity that it had made in recent years. They noted that already many developing countries were being forced to curtail domestic demand and imports. These representatives expressed concern about the parallels between the present state of the world financial and trading systems and the situation that had prevailed in the 1930's, and stressed the need for action to avoid a repetition of the experience of that decade.

8. One of these representatives noted that the marked decline in the prices of non-fuel commodities exported by developing countries evident in 1981 had continued in the first half of 1982, and that this decline remained more pronounced than that for commodities exported by developed countries. He said that prices of non-fuel commodities exported by developing countries were, in real terms, at their lowest level for 30 years. He noted that the Bank of England had recently stressed the importance of the fall in commodity prices as a factor behind the decline in inflation rates in the

industrialized countries. He said that it had been estimated that the reduction in commodity prices in 1981 compared to those in 1980 had caused a shortfall of \$9-10 billion in the foreign exchange earnings of developing countries.

9. These representatives of developing countries expressed their agreement with the observations in GATT/1319 on the harmful effects of protectionist policies and subsidization, as well as with the analysis concerning the costs imposed on exporting industries by taxes on imports. One of these representatives said that it was because his authorities fully subscribed to these ideas that his country had continued to maintain a liberal trade policy, characterized by an absence of quantitative restrictions and a customs duty of 10 per cent on virtually all items, despite a major deficit in its trade balance. Noting that this policy made his country very vulnerable to external developments, he stressed the importance of reversing trends towards protectionism and of a renewed commitment to trade liberalization if such open trading policies were to be maintained, and expressed the hope that the GATT Ministerial meeting would produce a new consensus on these points.

Review of implementation of Part IV and of operation  
of the Enabling Clause;  
Sub-Committee on Protective Measures

10. As background for the review of the implementation of Part IV and of the operation of the Enabling Clause, the Committee had before it a number of notifications by contracting parties which had been reproduced in COM.TD/W/375 and Addenda. In addition, the secretariat had endeavoured to summarize in COM.TD/W/374 available information on commercial policy measures relevant to Part IV (other than those which were before the fifth session of the Sub-Committee on Protective Measures), on developments regarding

differential and more favourable treatment for developing countries under the Enabling Clause and on relevant activities in other bodies of GATT, as well as on certain activities in other international organizations and bodies. The Committee also had before it document L/5342, containing the text of the Montevideo Treaty of 1980 creating the Latin American Integration Association, to which the Committee had agreed, at its meeting in July 1982, to revert. The report of the fifth session of the Sub-Committee on Protective Measures, held on 28-29 September 1982, was contained in document COM.TD/SCPM/5.

11. Introducing the report of the Sub-Committee on Protective Measures, its Chairman, H.E. Ambassador G.O. Ijewere (Nigeria), said that at its fifth session the Sub-Committee had continued to carry out its task of examining protective actions by developed countries affecting imports from developing countries, in accordance with the Decision of the CONTRACTING PARTIES of 28 November 1979 on this subject and the procedures drawn up for this purpose by the Committee on Trade and Development and the Sub-Committee itself. The Sub-Committee had considered certain measures brought to its attention in three notifications from contracting parties: one from Norway concerned the prolongation of its Article XIX action on textiles; one from India concerned certain anti-dumping and countervailing duty actions in Australia, Canada and the United States; and one from Indonesia related to measures in the European Communities affecting imports of manioc and rice bran. He said that the Sub-Committee had also had before it a secretariat note containing information on the following matters: a new Australian programme of assistance for the textiles, clothing and footwear industries; an Australian tariff increase; Canadian import quotas on footwear; measures taken by the European Communities affecting imports of manioc and of bran, sharps, etc.

of cereals; a French import restriction on quartz watches from Hong Kong; an import deposit scheme affecting certain items and a customs service surcharge applied by Iceland; import licensing of certain mushrooms in Sweden; a tariff increase and introduction of import quotas on sugar in the United States; an indicative basic import price in Finland on certain screws; and balance-of-payments safeguard measures taken by Hungary. The secretariat note had also contained information on certain other developments of possible interest to the Sub-Committee, including anti-dumping and countervailing actions affecting the trade of developing countries, as well as information on developments with respect to measures considered at the Sub-Committee's earlier meetings. He noted that the record of the Sub-Committee's discussion in regard to a number of points arising out of the secretariat documentation was contained in paragraphs 15-27 of its report. In conclusion, he said that, while the Sub-Committee continued to play an important role in relation to transparency of trade measures affecting the exports of developing countries, there might be need for consideration of how to give more direction and effectiveness to the Sub-Committee's examination of measures brought to its attention. In his view, this could be one of the matters to be taken up in the context of the proposed tasks that the Ministerial meeting might assign the Committee on Trade and Development in relation to the implementation and application of Part IV.

12. The representative of a developing country agreed that attention should be given to improving and strengthening the operation of the Sub-Committee on Protective Measures, which had not, in his view, lived up to expectations. He believed that one of the major problems in its work was the reluctance of developed countries to co-operate in the examination of measures that they considered had been taken legitimately in accordance with their GATT or code

rights, and for the discussion of which other GATT fora existed. It was his view that the Sub-Committee had the responsibility to examine measures that adversely affected the trade of developing countries whether or not they were legitimate in GATT terms. He envisaged that the GATT should adopt a two-track approach to the consideration of such measures. On the one hand, consideration of their legality in terms of the provisions of Parts I-III of the GATT and of the relevant codes was the responsibility of the GATT forum concerned, for example the Council or the committee of the relevant code. On the other hand, the Sub-Committee had the role of considering them in relation to the provisions of Part IV and of the Enabling Clause, and in relation to the trade and development needs of developing countries. He believed that the Sub-Committee should examine in particular the "compelling reasons" for protective measures affecting the trade of developing countries, the "special regard" that had been had for the trade interests of developing countries in considering their application, the alternatives that had been considered, and the possible future remedies that might be considered for alleviating their effects on the trade of developing countries, including possible time-frames for their phasing-out. Such an orientation of the work of the Sub-Committee would avoid duplication of work with other GATT bodies, and mean that possibility of discussing a measure in another GATT body would not be an adequate reason not to discuss it in the Sub-Committee. He hoped that developed countries would be prepared to co-operate constructively in such an approach, which would not be confined to a technical or legalistic examination of measures, but would take place in the wider perspective of the commonly agreed aim of avoiding damage to the trade interests of developing countries. In this respect, he suggested that the Sub-Committee also examine the policies underlying specific protective measures, and that delegations

might address this matter in their notifications and the secretariat in its documentation for the Sub-Committee. He was of the view that the Sub-Committee's mandate, which was based on the invitation to GATT in regard to the examination of protective measures extended by UNCTAD V in 1979, already provided for such a process. He proposed that the Committee should give thought to how to improve the operation of the Sub-Committee, having regard to the experience of its first three years.

13. The representatives of some other developing countries and of one developed country supported these views and suggestions.

14. Representatives of some developed countries, referring to the comments made in regard to the work of the Sub-Committee on Protective Measures, said that they continued to have reservations about the utility of examining in the Sub-Committee measures that were consistent with the GATT and could be examined more appropriately in other GATT bodies. In their view, it was difficult to envisage what such examinations could lead to. They expressed concern about the danger of giving rise to a situation where a measure might be found acceptable in one GATT body and unacceptable in another. In addition, one of these representatives doubted the appropriateness of the notification to the Sub-Committee of measures that had been agreed bilaterally, especially where the measure in question was favourable to the trade of the developing country concerned. These representatives also indicated doubts about the suggestion to expand the scope of the work of the Sub-Committee to include the examination of policies as well as measures. However, these representatives, as well as those of some other developed countries, expressed a willingness to join in a review of the mode of operation of the Sub-Committee. Some of these representatives requested further details of the suggestions that had been made in this respect so that their implications could be studied.

15. In response to queries from a developing country representative about the factors behind the fall in Swiss imports from GSP beneficiaries in 1981 (COM.TD/W/375, page 4) and about the increase in margins of preference accorded under the Swiss GSP scheme on some items from certain countries, the representative of Switzerland provided certain clarifications and offered to elaborate bilaterally if necessary.

16. The delegation of Chile, referring to the GSP scheme of Czechoslovakia, asked why Chile had been excluded from the list of beneficiaries. The representative of Czechoslovakia said that he would reply bilaterally, when he had the necessary information. The representative of Czechoslovakia also referred to the improvements to the Czechoslovakian GSP scheme that had been notified in document L/3703/Add.4.

17. In response to an enquiry from the representative of a developing country, the representative of the United States said that the United States Administration remained opposed to the bill to raise import duties on cut roses presently under consideration in the United States Congress, and was still hopeful that it would not be enacted.

18. Summing-up the discussion in regard to the Sub-Committee on Protective Measures, the Chairman said that there appeared to be a general view that more detailed attention should be given to improving the operation of the Sub-Committee and that further consultations should be held, so that the Committee may revert to this matter at the appropriate opportunity.

19. The Committee adopted the report of the Sub-Committee on Protective Measures, and noted that, in accordance with the Decision of the CONTRACTING PARTIES on the establishment of the Sub-Committee, the report would be forwarded to the Council.

20. The Committee took note of the communication concerning the Latin American Integration Association in document L/5342 and requested parties to LAIA that are contracting parties of GATT to report on developments under LAIA in accordance with the procedure for the examination of biennial reports on regional agreements.

Work on trade liberalization

21. The Chairman drew attention to the stage reached in the preparatory work for the Ministerial meeting in regard to tropical products, quantitative restrictions and other non-tariff measures, and tariff escalation, as reflected in document PREP.COM/W/33/Rev.1.

22. The representative of a developing country welcomed the fact that the text on tropical products in PREP.COM/W/33/Rev.1 was without brackets, except in regard to the date of the review of the CONTRACTING PARTIES, and said that she looked forward to early negotiations aimed at reducing obstacles to market access in this area.

23. The representative of a number of developing countries expressed their disappointment that more progress had not been made in the preparatory work on the question of quantitative restrictions and other non-tariff measures. They were especially concerned about the lack of an agreement on the elimination of illegal quantitative restrictions, which they felt should not be a matter of contention. They were of the view that this issue was important for the credibility of the GATT as a whole as well as for the trade of developing countries, and hoped that delegations with reservation on this matter would be prepared to reconsider the need for those reservations.

24. The representative of a developed country, speaking on behalf of a number of developed countries, said that these countries had placed a reserve on the formulation in the Ministerial text regarding illegal quantitative

restrictions. They considered that it was not possible to say in advance with any certainty which restrictions were legal and which were not. In the event that restrictions imposed by them on agricultural products were found to be illegal, they could not commit themselves to remove them. However, they were prepared to participate in the proposed process of discussion of agricultural policies and measures. He felt that it was important to bear in mind the difficulty of the problem in regard to quantitative restrictions, which had been the subject of work in GATT for many years.

25. The representatives of a number of developing countries stressed the urgency of action to improve trading conditions for exports of minerals and metals, both in regard to tariff escalation and more generally, especially in view of the present low world market prices for these commodities. They felt that this matter had been given insufficient priority by the Preparatory Committee and hoped that agreement would be reached on the deletion of the square brackets around paragraph 2 of the text on minerals, metals and forestry products in PREP.COM/W/33/Rev.1 (page 18).

Technical assistance to developing countries

26. The Chairman recalled the discussion that the Committee had held on the question of future secretariat technical assistance activities at its meetings in April and July 1982. He also referred to the stage reached in the consideration of this matter in the Preparatory Committee and noted that the draft Ministerial text in this respect was without brackets (PREP.COM/W/33/Rev.1, page 8, paragraph 3).

27. Representatives of some developing countries expressed appreciation for the technical assistance that they had received, both in Geneva and in their capitals. Mention was made in particular of certain seminars in which secretariat officials had participated and of assistance in regard to the

loose-leaf system for tariff schedules. Representatives of some developing countries also emphasized the value that they attached to the commercial policy training courses, and expressed their support for the enlargement of the training programme and the inclusion of a regular course in the Spanish language. Some of these representatives indicated the importance of technical assistance and training activities in helping them respect their GATT obligations and participate more fully in the GATT.

28. In response to a question as to how the budgetary aspects of an expanded programme of technical assistance and training might be handled, the representative of the secretariat said that issues in this connexion could be expected to be taken up in the context of the further preparatory work leading up to the Ministerial meeting.

#### Expansion of trade among developing countries

29. The Chairman recalled that, in accordance with GATT's post-MTN work programme, the Committee served as a forum for following developments in relation to the expansion of trade among developing countries. In this connexion the Committee had before it, in document L/5367, the Ninth Annual Report of the Committee of Participating Countries concerning the operation of the Protocol Relating to Trade Negotiations Among Developing Countries.

30. The Committee took note of the report of the Committee of Participating Countries.

#### The GATT Ministerial meeting

31. The Chairman recalled that under some of the earlier agenda items comments had been made in regard to the Ministerial meeting. No further comments were made on this matter.

#### Other matters

32. The Chairman, noting that structural adjustment and the trade of developing countries was one of the items placed on the post-MTN work

programme of the Committee on Trade and Development, said that the Working Party on Structural Adjustment and Trade Policy was continuing with the work assigned to it and expected to report in the course of 1983. As had been understood at the time that the Working Party had been given its present mandate, its report would be transmitted to the Committee on Trade and Development, and also to the Consultative Group of Eighteen, before submission to the Council. He invited any delegation wishing to comment at the present time on the question of structural adjustment and trade of developing countries to do so under the agenda item "other matters".

33. The representative of a developing country noted that the draft Ministerial text, PREP.COM/W/33/Rev.1, contained a passage on structural adjustment and trade policy providing for a continuation of work in GATT in this area. He hoped that on the basis of this work the CONTRACTING PARTIES would be able to agree at their session at the end of 1983 on some recommendations in regard to this question, which he considered very important both for the functioning of the General Agreement and for the trade of developing countries.

Next meeting of the Committee

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