

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

Committee on Trade in Industrial Products

NOTE BY THE SECRETARIAT ON THE MEETING OF THE COMMITTEE HELD 19-25 JUNE 1969

1. At its meeting held on 19-25 June 1969, the Committee's work fell under the following headings:

1. First examination of the inventory of non-tariff barriers (COM.IND/6/Add.7 and Corrs. 1-4).
2. Review of secretariat reports on parts of the inventory already examined (country comments on the following documents in the Spec(69)- series - Part 1 in COM.IND/10 has already been commented on):

Part 2 - 64

Part 3 - 51

Part 4 - 68 and Add.1

Part 5 - 71 and Add.1

Part 6 - 77

3. Debate on ways of implementing the Committee's terms of reference with respect to developing countries and non-tariff barriers.
4. Plans for next stages of the Committee's work on non-tariff barriers.
5. Status and prospects of the tariff study.

2. Debate on the first two topics is reported in new or revised sheets for the inventory which are to be issued before the October meeting of the Committee. Guide sheets will also be supplied listing the sheets from various documents required to assemble a complete and up-to-date set of reports on each part of the inventory.

Trade interests of developing countries in non-tariff barrier work

3. The CONTRACTING PARTIES, in their conclusions at the twenty-fifth session, had asked the Committee to give early and adequate attention to questions within its terms of reference of special concern to developing countries. Special attention was to be given to arriving at solutions to non-tariff barrier problems affecting the export trade of developing countries. Although it was understood and fully agreed in the Committee that consideration of these matters had been given continuous attention by the Committee, time had also been set aside at this particular meeting to examine non-tariff barrier problems of special significance to developing countries as

part of the attempt to find solutions on a broader scale. Such solutions might involve the selection for highest priority of problems where developing country concerns seemed to be particularly acute or might proceed by seeking partial solutions to certain problems so as to afford relief to developing countries even where no solution seemed possible at that stage on the basis of improving the treatment accorded to trade of all contracting parties.

4. The debate, in which a large number of developing countries took part, showed a wide range of interests by developing countries in non-tariff barriers of nearly all the types that had been notified. The full statement by the representative of Yugoslavia on this matter, which was supported by numerous developing country speakers, has already been issued separately and is appended to this report as annex 1. Among subjects suggested by one or more developing countries for priority attention were effects of subsidies on allocation of resources in developed countries and on the position of competing developing country suppliers (Brazil, Chile), effects of State trading on the ability of developing countries to compete as suppliers of imports (India), arbitrary valuation procedures as a barrier to imports from developing countries (India), discriminatory import regulations which operate more restrictively upon the commerce of certain developing countries (Yugoslavia and others made this and the following suggestions), import restrictions maintained inconsistently with the provisions of GATT and not authorized by waiver, so-called "voluntary export restraints" which are tantamount to discriminatory import restrictions, and taxes and other charges upon imported goods which burden trade and in some cases restrain consumption (Brazil and others). Certain additional problems mentioned in this context, which some members of the Committee considered might not, strictly speaking, constitute "non-tariff" barriers, were the problems of differential duties hampering the development of export trade in semi-manufactured goods made from raw materials which themselves bear only low or zero duties (Chile and others), and the existence of preferential tariff arrangements between developed and developing countries which create an extra hurdle in the way of imports from developing countries outside the favoured area (Brazil). Other cases of considerable importance but which some members felt were not clearly within the competence of the Committee were the non-tariff barriers on processed or crude agricultural products, a problem which had already been discussed in the context of the Committee's general work (Israel, Spain, Uruguay).

5. The developed countries in their turn expressed sympathy and agreement with the various priorities which had been mentioned. Several members of the Committee supported priority to elimination of discriminatory restrictions. There was some feeling that as a special group existed for consideration of residual restrictions of special concern to developing countries, it would be wiser to keep discussion of residuals in this Committee focussed on all such measures. There was also support for greater consideration of effects of subsidies on the competitive position of the more effective exporters. Several countries mentioned the desirability that developing countries bear in mind the possibility that, notwithstanding their generally weaker position, they too might contribute to removal of non-tariff barriers, certainly by agreeing to regular consultations concerning measures which they maintained.

6. The range of problems mentioned as of special concern to one or another developing country suggested to some representatives the hope that enough identity of interest among countries existed to ensure that all, including developing countries, would gain substantially from negotiations for elimination of the notified measures. To others, the diversity of interests indicated that it would be very difficult if not impossible to select out areas where accelerated solutions would bring benefits more concentrated on developing countries than would be the case in the typical or average problem. It was also pointed out that even where measures were involved which affected only some other contracting parties, the countries affected were seldom exclusively developing countries and it would be even rarer to find a measure aimed at developing countries as such and applicable to all such countries. In this situation it would be extremely difficult to work out plans which would permit accelerated solution of problems of developing countries.

7. It was for reasons of this kind that representatives of a number of countries considered that the best approach would be a "global" one, at every stage of which the interests of developing countries would be borne in mind, even though the solutions would usually of necessity envisage action of general application to goods of developed as well as of developing countries. The representatives of some developing countries expressed reserve as to whether in practice the global approach would be satisfactory. They also felt that supplemental arrangements would be needed, when the stage of considering solutions arrived, to give special consideration to interests of developing countries. It was also suggested that in particular cases, even if no solution applicable to all goods proved feasible, action to ease the conditions applicable to goods of developing countries might be possible. As to priorities among types of problems, there existed varying opinions among the developing countries as to which barriers were of greatest significance for them. They felt that few if any categories of barriers should be set aside for long. It was generally agreed that more study by the developing countries of conditions encountered by their own exports, which would enable them to make notifications based on first-hand trading experience, would be helpful. To be included in the documentation before the Committee at its next meeting such material should be submitted by 25 July.

8. The Chairman's summing up of this portion of the debate, which has also been circulated separately, appears as Annex II to this report. It was agreed that the debate had been useful, that it should be pursued and that no definitive decisions should be taken at this stage. With regard to the suggestion by Chile that differential tariffs be studied in relation to the secretariat's existing study on copper, contained in COM.TD/W/74, it was agreed that governments be invited to present their comments on this preliminary study and that the secretariat should attempt to work out a more complete study which could be of use when the Committee came to act on the tariff study.

Next stages of the Committee's work on non-tariff barriers

9. On the suggestion of the Director-General, the Committee agreed that the secretariat should now attempt to prepare a paper on the whole first examination of the inventory for the purpose of preparing the resumption of work in the autumn. In this paper, the secretariat should push as far as possible in the direction of suggesting concrete methods of moving towards the search for solutions, avoiding all theoretical questions as to whether a particular approach might or might not be described as "global", and attempting to be as specific and as realistic as possible.

10. As to timing, it was agreed that the Committee should meet as early in the autumn as might be possible, but that this should in any case be after the date of the meeting of the Committee on Agriculture and would in all likelihood mean a date around the middle of October.

Tariff study

11. The Chairman informed the Committee that the technical experts had met a few days before and briefly summarized the main points they had dealt with.¹ In particular, he called attention to:

- (a) certain technical problems and difficulties which however experts considered they would be able to solve at the next meeting;
- (b) the problems of special interest to less-developed countries; and
- (c) the request by the experts that suggestions and proposals on the essential issues and the methods for dealing with them be sent to the secretariat for examination and discussion by the experts at their next meeting.

12. Members of the Committee had had little time to examine the documentation. Emphasis was laid on the importance of extending the tariff study to as many countries as possible. The countries already involved at one stage or another were asked to make the necessary effort to provide data which would have the necessary degree of detail and comparability. It was agreed that the experts would meet again for a few days when the Industrial Committee was in session. At that time, and on the basis of the suggestions to be made in August by developed and developing countries - as well as by the secretariat - the experts would endeavour to make specific recommendations to the Industrial Committee.

¹ A secretariat note on the work of the technical experts is being prepared for circulation by the secretariat.

Annex I

STATEMENT BY THE REPRESENTATIVE OF YUGOSLAVIA
AT THE MEETING ON 23 JUNE

The Yugoslav delegation welcomes the initiative taken by this Committee to give special attention to the problems of developing countries in the field of non-tariff barriers in response to the Conclusions of the CONTRACTING PARTIES at their twenty-fifth session. My delegation requests the Committee to give priority consideration to the problems of developing countries and to secure early action in the field of non-tariff barriers affecting the trade of developing countries. This is the first stage in the consideration of the specific problems facing developing countries in the field of non-tariff barriers. It is hoped that my statement is directed towards that purpose.

Non-tariff barriers affecting the trade of developing countries are indicated in document Spec(69)81 and addenda. Many of the barriers enumerated in the document are, however, not new to us, but for the concrete and specific discussion it may be necessary for us to study the document thoroughly. Therefore, I would like to limit myself for the moment to the general aspects of the problems facing Yugoslavia and other developing countries. Bearing in mind the discussion in the Committee on Trade and Development on the implementation of Part IV of the General Agreement, I should like to point out that Part IV could be implemented effectively for the trade of developing countries by concrete action in the very important field of non-tariff barriers.

It may be noted that the share of developing countries in the trade of semi-manufactured and manufactured products is still insignificant in its magnitude, representing about 5 per cent of the imports into the developed market economy countries. Likewise, the share of developing countries as suppliers in the increase in the trade over the past years has been insignificant and the share is even declining due to the low growth rate of the exports from developing countries. This fact should be taken into account when the Committee discusses action with regard to barriers affecting developing countries. Even if at an early stage an action has been taken in the field of non-tariff barriers affecting developing countries and the preferential tariff scheme in favour of developing countries has been put into force, it may still be difficult to say whether the resultant possible growth in the exports of developing countries could amount so much as to damage the trade and production possibilities of developed countries. Furthermore, the products of developing countries

imported into developed countries are limited in the variety. The bulk consists of a limited number of products like non-ferrous metals, food products, textiles, clothing, wood and leather products. In further preparation of the analysis of non-tariff barriers by the secretariat, priority attention should be paid to the existing exports of developing countries, though their potential exports should be given due account having in mind the efforts of developing countries to widen the scope of their exports.

Non-tariff barriers may be distinguished between two types, namely those applied generally and those applied in a discriminatory manner particularly against developing countries. It may be noted that many of the barriers are applied inconsistently with the provisions of the General Agreement. They are applied for the protection of inefficient industries, but not for balance-of-payments reasons. That is why I consider that we are obliged to terminate in GATT the inequality; developed countries apply various types of trade barriers contrary to the General Agreement and without adequate consultations, whereas developing countries are subject to consultations when they apply restrictions based on the General Agreement. Special attention should be paid to these illegal barriers. In the view of my delegation, priority consideration should be given to the barriers of discriminatory character while not losing sight of non-discriminatory barriers. This is a question of granting most-favoured-nation treatment to developing countries at a time when the preferential scheme in favour of developing countries is high on the agenda.

Referring to the examples of discriminatory barriers, I have in mind first of all quotas applied frequently to imports of textiles from developing countries. Particularly with regard to the long-term arrangement, there seems to be a risk that the supposedly temporary measures on cotton textiles be perpetuated. Further, there seems to be a risk that a similar arrangement be introduced for some other textiles. In the quota system of certain developed countries, Yugoslavia is categorized with other developing countries in groups of countries which receive less favourable treatment than countries in other groups which cover primarily developed countries. Secondly, discretionary licensing by certain developed countries is administered in an arbitrary way and sometimes amounts to import prohibition affecting adversely developing countries in particular. The difficulty to evaluate the impact of this system creates uncertainty on the part of exporting countries. Thirdly, escape clauses have been unilaterally invoked in cases of alleged market disruption by certain developed countries. According to an experience of Yugoslavia, the consultation with an importing country took as long as several months. During that period exports to that country were suspended and the importers had to find other sources of supply. Fourthly, Yugoslavia has been forced to accept self-restraint measures under the pressure from certain importing countries to avoid unilateral action which could be stronger in its effects. We consider such practices are contrary to the spirit of the General Agreement particularly when self-restraint measures have been taken by the weaker partners in international trade.

In summarizing the impact of various discriminatory practices maintained by developed countries, I should like to stress the aspect of uncertainty. Such practices have far reaching negative effects not only on trade but on the economic development of the developing countries, which are dependent largely on exports due to a limited domestic market. It was suggested that we improve our agricultural production. When we became able to export agricultural products, we had to face various obstacles particularly in developed countries and we were prevented from using the results of our efforts in this field. It was also suggested that we should develop efficient and competitive manufacturing industries. As soon as we had, as a result of industrialization, some share on the markets of some developed countries, counter-actions were taken to block the export and we were prevented from using our capacities. The impact of such measures on the trade of developing countries and the international trade as a whole is quite far reaching, even though the share of developing countries in international trade is yet small, as I have quoted before.

Reference may be made to the case of my country which felt the impact of various barriers in exporting manufactured products to developed countries. As is well known, we have made great efforts to gear our economic and trade system for the expansion of international trade particularly by the economic reform introduced in 1965. We have accepted as a basis of our action that there is a trend in the international community to liberalize trade and to limit various protectionist measures. As a result of our import liberalization our imports have increased significantly but the deficit in trade with major developed countries has reached a very disturbing level in these years. There has been constant deficit increase in trade with some developed countries; in the case of the EEC our trade deficit almost reached the same level as our exports last year and in the case of Japan our exports cover only 6 per cent of our imports. Although I do not imply that trade has to be balanced between individual trade partners these developments had to disturb not only my country but also our trade partners. This situation is not the result of internal imbalance due to the inflational pressure because domestic prices have been stable and stocks have been increased in recent years. Consequently, it is increasingly felt in our economic circles as a reflection of the public opinion that if we cannot help our trade partners to take into account the mutual interest in trade we would be forced to introduce new restrictions on imports, specifically against those countries which maintain barriers against exports from Yugoslavia.

I made these remarks to illustrate the case of my country, but similar cases should exist with other developing countries. The question is what we can do in this Committee and what is the line of action we should contemplate. In this respect I should like to suggest the following:

1. The Committee should give immediate consideration to the early removal of all non-tariff barriers which discriminate against developing countries.

2. An early action should be taken with regard to those restrictions which are applied generally but inconsistently with the provisions of GATT.

3. If these restrictions could not be removed generally for really very valid reasons, I suggest to contemplate the removal for the imports from developing country sources. Separate consideration may be justified from the point of view of the impact these restrictions have on the trade of developing countries. As I indicated before, the magnitude of trade involved is really small, and if industrial exports of developing countries amounting approximately to \$5 billion should wait for the solution of the problems of trade in manufactured products as a whole, which amounted to \$74 billion in 1966, the action would be very late. This request will be consistent with Part IV and with the Conclusions of the CONTRACTING PARTIES at the twenty-fifth session.

4. When developed countries introduce new barriers, they should not apply them to developing countries, having regard to Part IV of the General Agreement. In this respect my delegation would like to appreciate that this aspect was taken into account recently by France and the United Kingdom.

These are my suggestions in regard to possible action which may be taken in the next stage of the work of this Committee, which it is hoped would take place some time in the autumn or before the twenty-sixth session of the CONTRACTING PARTIES in February 1970. For this purpose I hope that the GATT secretariat can prepare, if possible, adequate documentation on the different groups of barriers as I have mentioned, covering not only a very detailed account of non-tariff barriers notified affecting the exports of developing countries, but also the impact of those barriers both on exports of developing countries and on the domestic markets of developed countries. I am fully open to any suggestions with regard to the organization of our work whether we need some special body within this Committee to deal with the matter or whether we continue to discuss the matter in the Committee itself.

Annex II

SUMMING-UP BY THE CHAIRMAN ON 25 JUNE 1969

1. The general discussion on the problems of interest to developing countries made in this meeting should in no way be considered closed. We shall resume the discussion at the next meeting of the Committee and it is understood that in our future work special attention will always be given to the problems of interest to developing countries. I am also convinced that the Committee will take due account in its future work programme of the suggestions made in the course of the present discussion. It appears, however, that it is not possible for us to take a concrete decision today on these problems. The secretariat will circulate a resumé of this general discussion on the problems of non-tariff and para-tariff barriers affecting developing countries. This meeting has also permitted preliminary discussion of certain notifications made by developing countries and the information supplied in this regard will naturally be incorporated in the note of the secretariat on the examination of the inventory.

2. In their statements the representatives of developing countries have stressed the importance and urgency of trade problems of developing countries and the damaging effects of trade barriers, both tariff and non-tariff, on their efforts to expand exports to the markets of developed countries. In this context they have referred to specific types of trade barriers as being particularly obnoxious from the point of view of developing countries. These include (apart from differential duties which run counter to the interest of developing countries which desire to develop processing and manufacturing industries) such measures as import quotas and discriminatory restrictions, export restraints imposed on developing countries, special trading arrangements between particular groups of developed and developing countries, subsidies on production which encourage uneconomic production in developed countries, internal taxes on products which are not produced in the developed countries, arbitrary methods of customs valuation and State monopolies, particularly of trade in tobacco. It has also been suggested by one delegation that government assistance to industries which might not have been established without such assistance could have the effect of distorting the natural pattern of world production and of causing potential damage to developing countries having the requisite natural resources.

3. The representatives of some developing countries have recalled that at the twenty-fifth session the CONTRACTING PARTIES decided that the Committee on Industrial Products, in exploring the possibilities for concrete action in the field of non-tariff barriers, should give special attention to the particular problems of developing countries. In the light of this they have put forward a number of suggestions. For example, the delegate of Yugoslavia has proposed: (a) that priority consideration should be given to the removal of non-tariff barriers which discriminate against developing countries; (b) that early attention should be given to the elimination of trade barriers which are inconsistent with GATT; (c) where there is genuine difficulty in removing a trade barrier on a global basis, consideration should be given to the possibility of freeing imports of developing country origin; and (d) any new trade barriers introduced by developed countries should not be applied to imports from developing countries. The representative of India has proposed: (a) that in any further examination or arrangements made for seeking solutions, the problems relating to the evaluation or assessment of duty should be taken up on a priority basis; and (b) that the operation of State monopolies particularly regarding tobacco and purchasing policy of monopolies should also be given early consideration.

4. The Committee has also heard statements from most of the developed countries present, in which comments are offered on the various observations and specific points made by developing countries. There is a general consensus among them that the Committee should at every stage of its work bear foremost in mind the interest of developing countries and the urgency of their trade problems. Most of the trade barriers however, affect imports from all sources, and it might not always be feasible separately to deal with aspects of the barriers which relate to exports of developing countries. The problems of non-tariff barriers, in their view, will have to be dealt with through a "global approach". Some of them have stressed the importance of careful preparation for the next stage of the Committee's work. The Committee has been instructed by the CONTRACTING PARTIES to move rapidly from the stage of study and of identification of problems to that of seeking mutually acceptable solutions, and will no doubt make every effort to advance its work. There seems to be general agreement that whatever scheme for action might be formulated by the Committee should fully reflect the sense of urgency with regard to the trade problems of developing countries. The views that these countries have so far expressed and that they might hereafter put forward in the course of the examination of the inventory will undoubtedly be fully taken into account.

5. There is also a general feeling that the next stage of the Committee's work could be properly advanced only with the full collaboration of the developing countries themselves. The developing countries which have not done so should endeavour to supply the Committee with notifications of trade barriers affecting their exports to permit the secretariat to complete document Spec(69)81, containing the notifications on problems of particular interest to developing countries. It will be desirable if supplementary notifications reach the secretariat before 25 July. It would also be essential for their representatives fully to take part in the deliberations of the Committee. In so far as possible the secretariat and the developed countries should also provide assistance in the gathering and clarification of information on trade barriers affecting the exports of developing countries.

6. In the course of discussion reference has also been made to barriers in the tariff field, especially duties which differentiate between products in their primary and processed forms. On the suggestion of the Chilean representative the Committee has agreed that governments should be requested to furnish comments on the preliminary study which the secretariat made a year ago on the tariffs on copper and copper products (COM.TD/W/74). The secretariat should in the light of the comments received attempt a more complete and comprehensive study for examination in the appropriate organ of GATT. When completed this study will evidently form a useful part of the documentation for the Committee in considering action in the tariff field.

Note: Certain comments and points were made by representatives after the Chairman's summing up. These will be summarized in a note on the proceedings of the meetings which is being prepared by the secretariat for circulation at a later stage.