

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

PROCEEDINGS OF THE MEETINGS OF THE ELEVENTH SESSION

Note Prepared by the Secretariat

1. The Committee held its eleventh session on 27 and 28 June 1968. The meetings were presided over by H.E. Mr. S.D. Kolo (Nigeria), Chairman of the Committee.
2. The Chairman welcomed the Republic of Korea as a new member of the Committee. The representative of the Republic of Korea expressed his Government's keen interest in the work of the Committee.
3. In his opening statement the Chairman commented on the significance of the present session, the first held after the twenty-fourth session of the CONTRACTING PARTIES and the second session of UNCTAD, at both of which important discussions had taken place. The Committee had not been convened earlier as it was thought that governments might need some time for reviewing those developments and for reflection on the policies to be pursued. The purpose of the present session, as indicated in the annotated provisional agenda, was to provide an opportunity for an exchange of views on trade problems of developing countries in general and for considering the Committee's future work programme.
4. The Committee approved an agenda for the session, comprising the three items proposed in the provisional agenda COM.TD/51.

I. Developments relevant to the operation of Part IV

5. The Committee held an interim review of developments relevant to the operation of Part IV on the basis of a background paper prepared by the secretariat (COM.TD/53) and discussed a number of subjects covered in that paper.

Acceptance of Part IV (COM.TD/53, Section I)

6. The Committee noted that since its last meeting some more contracting parties had accepted Part IV. The representatives of Chile, Greece and Uruguay informed the meeting that the necessary constitutional steps were being taken in their respective countries and that their governments hoped to complete the

procedure for the acceptance of the protocol introducing Part IV in the near future. The Committee noted, however, that a few contracting parties, including one major developed country, had not yet accepted Part IV. The Committee appealed once again to those governments which had not yet accepted Part IV to do so as early as possible.

Kennedy Round concessions and tariff negotiations (Ibid., Section II)

7. Members of the Committee drew attention to the continued decline in the export earnings of developing countries and the deterioration of their trade and financial position in general as indicated in the secretariat paper COM.TD/53. In the circumstances they felt that it was timely for the Committee to renew its determination to find ways and means of improving the access to the markets of developed countries for the exports of developing countries. They noted in this connexion the action that had been taken by eighteen developed countries to effect advanced implementation of certain Kennedy Round concessions in the interest of developing countries and urged developed countries to continue to explore all possibilities of taking additional action of this kind.

8. Some members of the Committee referred to the recent developments in international financial and trade situation discussed at the Council meeting on 27-28 April and dealt with in documents L/3001 and L/3007. They stressed the need for the Committee to keep a close watch on these developments which might affect the interests of developing countries no less than those of developed countries.

9. In reply to a question as to whether there had been any new developments subsequent to those described in L/3007, the Director-General stated that in its broad lines the situation had remained unchanged and that to the best of his knowledge no further exchange of views or discussions had taken place since the discussion of the matter at the Council meeting in April. While prediction would be hazardous in the current complex situation there seemed to be no doubt that the concessions due for implementation on 1 July 1968 would become effective on that date. It would be up to the contracting parties to see to it that the succeeding deadlines were met. Some members of the Committee expressed the hope that the Director-General would continue to watch developments closely and with the interests of developing countries in mind, and that they would be given an opportunity of participating in any discussions that might take place on this very important matter.

10. The representatives of certain developing countries drew attention to paragraph 8 of Article XXXVI and the interpretative note to that paragraph. The experience they had had in negotiations with developed countries showed that there was need for a more precise interpretation of the meaning of these provisions. It was suggested that the secretariat might prepare a background paper outlining past discussions of this subject so that the Committee could have a thorough discussion of the matter at their next session.

Non-tariff measures (COM.TD/53, Section III)

11. The Committee noted from document COM.TD/53 that certain developed contracting parties had, over the past year, removed some of the restrictions applied on products of export interest to developing countries. The representative of Finland stated that as from 1 January 1968 Finland had eliminated the remaining quantitative restrictions on industrial products with the result that products of particular interest to developing countries such as woven fabrics and other textiles as well as footwear were now fully liberalized. Effective 1 July 1968 quantitative restrictions would be removed on all agricultural items with respect to which liberalization was offered in the Kennedy Round, including items of specific interest to developing countries. More detailed information on this action would be communicated shortly.
12. Members of the Committee observed that many products of export interest to developing countries, particularly unprocessed and processed agricultural products, were still subject to import restrictions in many developed countries and urged these countries to make further efforts to remove these restrictions. Some members also pointed out that the import restrictions maintained by some developed countries on industrial products were without economic meaning or justification. Members of the Committee hoped that arrangements could be made for the notification of import restrictions and other non-tariff barriers maintained by one important developed contracting party which at present refrained from taking part in the work of the Committee.
13. The representative of Brazil, commenting on the quantitative restrictions applied by one developed contracting party on coffee, said that while it was true that this product was de facto liberalized in that country, coffee exporting countries would undoubtedly wish to see this situation regularized on a de jure basis. He recalled that in the early stages of the Kennedy Round negotiations a developed country had made an offer involving its tariff on coffee, and that this offer had subsequently been withdrawn and replaced by a promise that proceeds from this duty would be used for the creation of a fund to promote investments in developing countries. He thought it would be appropriate for the contracting party concerned to provide information on the creation and operation of this fund. The Chairman suggested that since the Special Group on Trade in Tropical Products would be meeting early in July the matter could be raised in that Group.
14. The representative of Nigeria stated that while his Government appreciated the efforts made during the Kennedy Round by Japan with regard to items of interest to Nigeria, it could not but note that groundnuts and groundnut oil were still subject to import restrictions. He hoped that early efforts would be made to speed up the liberalization of these items, or consideration given to the possibility of allocating a substantial percentage of the general global quota to developing countries.

Relevant activities in and collaboration with UNCTAD (COM.TD/53, Section V)

15. In a statement to the Committee the representative of the Secretary-General of the UNCTAD emphasized the identity of objectives between UNCTAD and GATT and the need for the two organizations to co-ordinate their activities. He stressed that the co-ordination successfully undertaken in the field of trade promotion leading to the Joint International Trade Centre and initiated in regard to trade negotiations among developing countries in order to facilitate participation in the exercise of a number of countries not members of GATT could be extended to other fields of activity. With regard to tariff reclassification work was already being done by UNCTAD in collaboration with the Customs Co-operation Council.

16. Outlining the work being undertaken in UNCTAD relating to non-tariff barriers he stated that a programme involving preliminary studies and aiming at a progressive elimination of non-tariff barriers on manufactured and semi-manufactured products of interest to developing countries had been proposed within UNCTAD. In this connexion he reiterated the desire expressed in the message from the Secretary-General of UNCTAD to the twenty-fourth session of the CONTRACTING PARTIES for joint action between GATT and UNCTAD in particular fields where such co-operation could be useful. A similar procedure, he proposed, could be envisaged with respect to trade problems in the tropical products sector.

17. With regard to the general non-reciprocal preferential system in favour of developing countries, agreed on in principle at the New Delhi Conference, the representative of UNCTAD stated that the Special Committee on Preferences set up by UNCTAD II would commence its work in the autumn. In the meantime the UNCTAD secretariat was engaged in further studies of relevant problems.

II. Implementation of the Work Programme
adopted at the twenty-fourth session

18. The Committee referred to the Conclusions relating to the trade of developing countries adopted by the CONTRACTING PARTIES at the twenty-fourth session and reviewed the arrangements that had been made for the implementation of the programme embodied in those Conclusions. In the course of this discussion particular attention was paid to certain points in the Conclusions as may be seen from the notes in the following paragraphs. Certain points arising from these discussions which were relevant to the further work of the Committee are dealt with in Section III below.

Import restrictions

19. It had been agreed at the twenty-fourth session that panels of governmental experts may be appointed to examine problems relating to quantitative restrictions maintained by developed contracting parties on industrial products of particular

interest to developing countries. The secretariat had initiated collection of detailed analytical data bearing on production, prices, trade, etc. of jute manufactures which, if the contracting parties concerned so desired, could serve as background material for a possible analysis of the problems relating to those products. Certain members of the Committee pointed out that bilateral discussions regarding this item were proceeding and their successful conclusion might make it unnecessary to resort to the panel procedure. Several members of the Committee recalled that the panel procedure had not been conceived to be a substitute for the previous arrangements made by the Committee for dealing with residual restrictions and proposed that the Group on Residual Restrictions be asked to pursue the unfinished task at an early date, on the basis of an up-to-date list of import restrictions on products of export interest to developing countries. It was suggested that the Group might also take into account documentation prepared by the UNCTAD secretariat on import restrictions.

Special tariff problems

20. The Committee had before it a pilot study on import duties on copper, prepared by the secretariat in the context of the special tariff studies requested by the CONTRACTING PARTIES at their twenty-fourth session.

21. Several members of the Committee said that they had forwarded the secretariat paper to the competent department of their governments for detailed and technical comments. Their first impression, however, was that the study was useful and some members felt that it clearly demonstrated the situation faced by developing countries when they attempted to process their primary products. Some members felt that similar studies could usefully be made on other products, for example timber and vegetable oils and oilseeds. Some members recalled that by the Conclusions of the twenty-fourth session the studies to be undertaken should aim at highlighting the effects of tariffs which proportionately protected processed products, and bringing out the general incidence of duties on products exported by developing countries. Other members suggested that specialized studies designed to identify tariff problem areas of special concern to the developing countries might more usefully be undertaken after the Agricultural Committee and the Committee on Trade in Industrial Products had gathered some of the relevant basic material. It was also noted that studies already made by the GATT and in other international organizations on particular products should not be overlooked.

Tariff reclassification and elimination of duties on labour-intensive products, etc.

22. At the twenty-fourth session the CONTRACTING PARTIES had urged the developed countries to give early and sympathetic consideration to requests by developing countries for the separate identification in their tariffs of products for which developing countries sought further tariff concessions or duty-free treatment. A secretariat note reviewing the work done so far on this subject in GATT and elsewhere was circulated in document COM.TD/55. The Committee also received a paper from the Secretary-General of UNCTAD on the work being done in that organization on this subject (COM.TD/55/Add.1) indicating that tariff reclassification would facilitate favourable tariff treatment for products of developing countries.

23. The representative of Switzerland said that while the tariff incidence of the Swiss tariff did not lend itself to any spectacular action in this field, his Government would nevertheless give careful attention to possibilities. The representative of Finland, supplementing the information given in COM.TD/55 on action by contracting parties, informed the Committee that Finland had granted concessions through tariff reclassification on pre-tanned leather, and had taken action with respect to certain kinds of skins similar to that taken by Norway. The representative of the United States pointed out that the United States Government was at the present time without authority to effect tariff reductions and that the proposed legislation now being considered by Congress would only permit the use of tariff cutting authority existing but not used during the Kennedy Round. The Australian representative described the experience of his Government in reclassifying products for the purpose of providing duty-free entry for handicraft products. He mentioned some of the difficulties faced by customs officers in clearing goods benefiting from this special treatment and the use of certificates of origin as one of the ways to overcome them. The representative of Japan stressed that the kind of difficulties mentioned by the representative of Australia should not be lost sight of in any further work on this question. The representative of the Commission of the European Communities stated that in the new common external tariff of the EEC to be available shortly, the reclassification technique had been used in a number of cases for the benefit of developing countries but that the limitations of this technique should not be overlooked.

24. Several members suggested that if developing countries come forward with specific proposals for the separate identification in developed countries tariff schedules of items of special export interest to the developing countries, such proposals should be given sympathetic consideration, and hoped that the subject should continue to receive attention in this Committee. Action taken by some developed countries had shown that the technique of tariff reclassification to assist developing countries was feasible. In addition to the work on the purely technical aspects, there was also the substantive side of the matter which deserved urgent consideration by governments.

25. Some members felt that tariff reclassification was not only relevant for action in the tariff field, but also useful for other commercial policy action, such as the removal of import restrictions. In the course of the discussion some members observed that the interest they showed in this subject should not be taken to indicate that they no longer supported the early introduction of a scheme of general preferences for exports of developing countries. Nor did they lose sight of the importance of diversification away from traditional exports; exports of developing countries should be expanded in whatever manner possible and there was no reason to eschew methods benefiting traditional exports merely because diversification was also the objective.

III. Future work of the Committee and programme of meetings

26. The Committee considered its future work programme in the light of discussions on the two preceding agenda items.

Review of implementation of Part IV

27. The Committee agreed to carry out a review of the implementation of Part IV at its twelfth session in accordance with the procedures adopted in 1965. Governments were invited to send the necessary notifications and the secretariat was requested to prepare background documentation.

Trade expansion among developing countries

28. Some members of the Committee proposed that the Group on Expansion of Trade Among Developing Countries should be reactivated. It was suggested that since considerable attention had recently been given to general and specific issues involved in the trade arrangements between developing countries, it would be proper if the Committee's report to the twenty-fifth session were to reflect an adequate measure of interest and activity in this field. Early in 1966 the Committee had recommended that concrete proposals and arrangements for the expansion of trade among developing countries should be examined as and when they had been made or negotiated, and it appeared that several such arrangements had in fact been negotiated, though none of them had been submitted to the Committee for examination. In the Working Party on the Tripartite Agreement between India, the United Arab Republic and Yugoslavia, it had been suggested that the Committee on Trade and Development should examine the trade, legal and economic aspects of that Agreement. Also, the activities of the Trade Negotiations Committee of Developing Countries would seem to have reached a stage where the specific proposals being discussed and their likely effects should be evaluated. By its terms of reference, the Group on the Expansion of Trade among Developing Countries would clearly be the appropriate body to assist the Committee in discharging these duties. These members also suggested that the secretariat might be asked to prepare a paper summarizing these points for consideration by the Group. The paper might reflect, among other things, the suggestion made during the third meeting of the Group in 1966 regarding the desirability of attempting to ascertain the significance of non-tariff barriers as impediments to the expansion of trade among developing countries.

29. Several members of the Committee recalled that the CONTRACTING PARTIES at their twenty-third session had approved the view that "the establishment of preferences among developing countries, appropriately administered and subject to the necessary safeguards, can make an important contribution to the expansion of trade among developing countries and to the attainment of the objectives of the General Agreement" (BISD, Fourteenth Supplement, page 136) and that in the Conclusions adopted at the twenty-fourth session the CONTRACTING PARTIES had noted with satisfaction the initiative taken by the developing countries in this regard (BISD, Fifteenth Supplement, page 71). They recalled that the Group on Expansion of Trade among Developing Countries had already taken up most of the questions of principle and that such questions had also been fully discussed in UNCTAD and dealt with in the "concerted declaration" on the subject adopted at its second conference. The Tripartite

Agreement between India, the United Arab Republic and Yugoslavia had already been discussed in a GATT Working Party. The reconvening of the Group would be warranted only if there were new elements for discussion such as the kind of support action which developed countries could take to assist the efforts of developing countries to expand their mutual trade.

30. The Committee heard a statement made by Mr. M.G. Mathur on behalf of the secretariat on past discussions in GATT on this subject. It was pointed out that Part IV of the GATT contained provisions aimed at relaxation of trade barriers by developing countries in their mutual interest to which references had been made in the Kennedy Round. In 1965-66 the Group on Expansion of Trade Among Developing Countries had examined certain proposals for the establishment of preferences among developing countries on a regional and inter-regional basis, and had reached the conclusion concerning the value of preferences among developing countries referred to in paragraph 29 above. The Committee had endorsed this conclusion and agreed that before an attempt was made to draw up specific legal provisions or formulae for the exchange of such preferences, it would be useful to see what concrete proposals or arrangements might in practice be made or negotiated by developing countries acting within the spirit of Part IV of the General Agreement. These views were noted in the Committee's report, which was approved by the CONTRACTING PARTIES at their twenty-third session. The Committee had also recommended in the report that arrangements should be made by the CONTRACTING PARTIES for the examination of any such proposals or arrangements when they were received. It was against this background that developing countries had been discussing in the past two years arrangements for the negotiations and both the Committee and the CONTRACTING PARTIES had been kept informed of developments. In the work programme adopted at the twenty-fourth session on the trade problems of developing countries, the CONTRACTING PARTIES had noted with satisfaction the initiatives taken by developing countries to explore the possibilities of an exchange of tariff and trade concessions directed towards the expansion of their mutual trade. They had noted the establishment of the Trade Negotiations Committee of Developing Countries to establish a basis for such negotiations and the fact that in due course the results would be brought to them for their consideration as necessary. Since the twenty-fourth session the Trade Negotiations Committee had held three meetings at which the procedures to be followed in the negotiations and such questions as the participation of non-GATT members had been discussed. At a meeting in December 1967, the Committee had considered the procedures that might be adopted to enable the participating countries to identify specific products for inclusion in their requests lists, to discuss the specific problems affecting the products identified and to assess the value of any concessions granted on them in relation to the objectives of trade expansion. At its last meeting, on 24 June 1968, the Committee had carried out a preliminary examination of the lists of products submitted by a number of participating countries, and had come to the conclusion that a further effort was needed in order that the participating countries might arrive at a more

precise identification of the products for negotiation and of the specific concessions that might be requested. The Committee had therefore invited the participating countries to seek information from their governments on trade patterns as well as on relevant tariff and trade regulations in preparation for a series of bilateral and multilateral exchanges of information beginning next September. A number of non-GATT countries had been taking part in the work of the Committee and had submitted product lists.

31. The Committee noted that, having regard to the recommendations of the Committee approved at the twenty-third session of the CONTRACTING PARTIES (cf. BISD, Fourteenth Supplement, page 132) and the relevant Conclusions adopted at the twenty-fourth session (BISD, Fifteenth Supplement, page 71), there was no need for the Committee or the Group on the Expansion of Trade Among Developing Countries to attempt to reach new conclusions concerning the negotiations at this time. Inasmuch as the matter had already been examined in a GATT Working Party which had established a report for the Council, nor would it be necessary to have the Group discuss the tripartite arrangement between Yugoslavia, the United Arab Republic and India. It was agreed, however, that the Group might be convened as and when it received any new proposals falling outside the ambit of existing decisions or was faced with new developments requiring attention.

Adjustment assistance measures

32. Some members of the Committee suggested that the Expert Group on Adjustment Assistance Measures could usefully be reconvened and that governments should be asked to submit information on action in this field in accordance with the procedure endorsed at the twenty-third session. A suggestion was made in this connexion that the Group could discuss the application of adjustment assistance in the field of cotton textiles. Some members felt that it would be premature to hold a meeting of the Expert Group until the Group on Residual Restrictions had met. Other members suggested that two bodies could be merged.

33. It was recalled that in its report to the twenty-third session, the Committee on Trade and Development had recommended that contracting parties participating in the Group on Residual Restrictions, the Cotton Textiles Committee and the Kennedy Round machinery should be invited to consider to what extent adjustment assistance could be employed in dealing with the issues with which they were concerned. It had also been agreed that where a more detailed examination of the contribution which adjustment assistance could make to the solution of particular problems not taken up elsewhere was thought useful, the matter could be taken up by agreement in the Expert Group. In the Conclusions adopted at the twenty-fourth session the CONTRACTING PARTIES had invited importing countries participants in the cotton textiles arrangement to report to the Cotton Textiles Committee in advance of its next meeting the steps taken by them to facilitate adjustments in their domestic industry during the period of special protection provided by the cotton textiles arrangement; consequently, there was no need to consider questions concerning cotton textiles in the

Expert Group on Adjustment Assistance. It was agreed in the Committee that the Expert Group could be reconvened whenever it was considered that useful work could be performed. A decision concerning need to reconvene the Group might be taken after the meeting of the Group on Residual Restrictions and in the light of the discussions in that Group.

Special tariff problems

34. The secretariat was asked to continue with the studies of special tariff problems decided upon at the twenty-fourth session and enumerated in the Annex to the Conclusions of that session. Governments were requested to keep in touch with the secretariat on points relevant to the studies.

Tariff reclassification

35. The secretariat was requested to keep in touch with this subject so that the Committee could take note of any action taken by governments. It was also suggested that the study of technical problems involved in the reclassification of tariff items to facilitate the granting of concessions on exports of developing countries might be pursued, taking fully into account the work done in UNCTAD with the co-operation of the Customs Co-operation Council.

Residual import restrictions

36. The Committee agreed that the Group on Residual Restrictions should resume its work on the basis of its original terms of reference and of an up-to-date list of import restrictions affecting products of export interest to developing countries to be prepared by the secretariat.

Economic problems of Chad

37. The representative of Chad thanked the Committee for the contribution it had made to studying the economic problems of Chad. He recalled that the GATT secretariat had been participating in an important study in co-operation with the UNCTAD and the FAO on cotton problems in Chad. While it was too early to request the reconvening of the Working Party on the Economic Problems of Chad to consider the joint study, it was to be hoped that when the request was made the Committee would display the same goodwill which had characterized its reception of her previous request.

Implementation of the twenty-fourth session Conclusions in general

38. It was agreed that at its twelfth session the Committee should again review the arrangements made for the implementation of the Conclusions relating to the trade of developing countries reached at the twenty-fourth session and consider, where necessary, lines for further action. The secretariat was asked to prepare and circulate in advance of that session a report on the discussions in UNCTAD and other international organizations relevant to the Committee's future work.