

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

PROCEEDINGS OF THE TWENTIETH SESSION

Prepared by the Secretariat

1. The Committee held its twentieth session on 1 February 1972 under the Chairmanship of Mr. B.R. Patel (India).
2. The Chairman welcomed Romania as a new member of the Committee.
3. The Chairman recalled that, as agreed at its last session, the present meeting was convened to consider the future work programme of the Committee in the light of the discussions at the twenty-seventh session of the CONTRACTING PARTIES and proposals put forward by delegations. The Committee approved the provisional agenda circulated as document COM.TD/W/154.
 - I. Recent developments in international trade policy
 4. The discussion was based on a note prepared by the secretariat (COM.TD/W/157). The representative of New Zealand informed the Committee that a generalized system of preferences for developing countries had been introduced by his country on 1 January 1972 and that details of the scheme would be communicated to GATT in the near future. The representative of a developing country suggested that the Generalized System of Preferences might be kept on the agenda of the Committee as he considered it would be appropriate for GATT to follow the application of the preferences including their effects on the trade of developing countries. In reply to a question raised by the representative of another developing country, the representative of the European Communities informed the Committee that a notification to the CONTRACTING PARTIES of details of the generalized system of preferences implemented by the EEC in 1972 was being prepared.
 5. Representatives of a number of developing countries expressed concern at the lack of information on developments arising from the trade discussions currently taking place between the United States and the EEC. They hoped that the Committee would be informed at an early date of the scope and purpose of these talks, so that members would have an opportunity to examine their possible effects on the trade of developing countries. Representatives of the developed countries concerned stated that the discussions were bilateral and considered that no information could be provided while they were still proceeding.
 6. In response to a request from the representative of a developing country for information on the enlargement of the EEC, the representative of the European Communities re-stated their intention to comply with the obligations and procedures of the General Agreement and informed the Committee that a notification to GATT of the agreements was in preparation and would be forwarded in the near future.

II. Group of Three

7. On behalf of the Group of Three, Mr. G. Smoquina (Italy), informed the Committee of the proposed activities of the Group in 1972.¹ Its first task will be to ensure follow-up action on the Report of the Group (L/3610) through a process of further informal consultations with representatives of developed countries. The Group considered that the developing countries can make an important contribution by drawing attention to any specific problems they have encountered. The Group was hopeful that it would be able to inform the next session of the Committee on Trade and Development of substantive progress in the removal or relaxation of tariff and non-tariff barriers.

8. In welcoming the information provided on the future activities of the Group of Three, members of the Committee stated their readiness to co-operate, to the fullest extent possible, with the Group and affirmed their conviction that the Group would continue to make a useful contribution to the work of the CONTRACTING PARTIES with regard to the trade problems of developing countries.

9. The representatives of some developed countries informed the Committee of action taken by their governments in connexion with the recommendations contained in the Report of the Group of Three. The representative of Japan stated that certain positive steps taken by his Government were recorded in the note on proceedings of the Group on Residual Restrictions which had met on 24-25 January 1972. The representative of Austria announced that imports of bananas were now free of duty under the Austrian scheme of preferences for developing countries. The scheme had been improved by including some additional mixed homogenized food preparations and by improving the offer on cocoa butter and tea in small packages through a further reduction of the duty from 8 to 5 per cent. In addition, the import equalization tax on tea had been eliminated.

10. The representative of the United States referred to the removal, in December 1971, of the import surcharge as recommended by the Group and informed the Committee that the Administration planned to submit, at the current session of the Congress, legislation related to the introduction by the United States of a system of tariff preferences for developing countries. The representative of Norway informed the Committee that his Government expected to liberalize rice imports in the very near future. It also agreed with the Group's recommendation concerning State trading.

11. The representative of the Federal Republic of Germany referred to the recent liberalization measures taken by his Government, mentioned on page 34 of the Group's report. With regard to discriminatory country classification, the matter was still under study and should be seen in the framework of the implementation of common trade rules within the Community. As the countries maintaining such restrictions were in the minority, there was good reason to hope for their elimination.

¹The statement has been issued as document COM.TD/83.

12. Representatives of developing countries, while welcoming measures adopted by certain developed countries, expressed disappointment that others had not, so far, been able to implement any of the specific recommendations. They were of the opinion that as the discriminatory country classification employed by certain countries was inconsistent with the provisions of the General Agreement, it could be eliminated without the need for any further consideration.

13. The representative of a developed country suggested that some thought be given to the delineation of responsibility between the Group of Three and the Group on Residual Restrictions. Lack of clarity on this point might result in duplication of effort. It might be possible to arrange for the Group on Residual Restrictions to concentrate on an examination in depth of a few products of significant interest to developing countries. Representatives of developing countries did not see that there was any inconsistency, the Group of Three, as stated in its report, having concentrated its attention on a few issues which it considered ripe for immediate action.

III. Country studies recommended by the Group of Three

14. The Committee had before it a note (COM.TD/W/156) describing the method and format the secretariat was proposing to use in connexion with the country studies recommended by the Group of Three.

15. While generally endorsing the proposals submitted by the secretariat, the representative of the United States said that the ad valorem equivalents of individual specific and compound rates of duty available in the tariff study files for all importing countries were averages based on most-favoured-nation imports from all sources and not only from developing countries. Since the unit value of imports from developing countries can fluctuate widely, the country studies should not imply that the ad valorem equivalents were actually applicable to individual and total developing country exports. To overcome this difficulty, he proposed that the secretariat use averages for BTN headings in the tariff study based on imports from all most-favoured-nation sources for all items and for dutiable items only. An asterisk beside the relevant heading averages would show where specific duties occur with an explanation of the problem and a caveat added to the effect that the averages which include specific and compound rates do not reflect the actual incidence applicable to an individual exporting developing country.

16. The same representative, pointing out that no account had been taken of variable levies in the specimen schedule, proposed that the average incidence of variable levies shown in the "import measures" study produced by the Agriculture Committee be included in a separate row in the country studies. If these data were unavailable for certain items, the presence of a variable levy could be indicated by a symbol. In view of the complex nature of the task before the secretariat, the Committee might wish to evaluate the first batch of studies to see if the approach was likely to produce the desired results.

17. The representative of the European Communities considered that the same reservations as those mentioned by the previous speaker in respect of specific duties and their ad valorem equivalents were applicable also to any tabulation of variable levies.

18. In response to the points raised, the representative of the secretariat stated that it would be necessary to see what qualifying remarks would be called for in regard to the conversion of specific rates to ensure that the tabulations do not give an incorrect impression. With regard to variable levies, it was understood that at the present time information was available only in respect of certain items and the secretariat would have to see how this information might be completed. In reply to a question he confirmed that information would be provided on the importance of each item in the total trade of the developed country concerned.

19. The representatives of Jamaica and Trinidad and Tobago requested that the countries members of CARIFTA should be studied together.

IV. Multilateral consultations on vegetable oils and oilseeds

20. Possibilities for the liberalization of trade in vegetable oils were considered on the basis of a secretariat note (COM.TD/W/155) outlining recent developments in the various GATT bodies and in other international organizations. Representatives of some developing countries referred to the recommendation by the Group of Three that developed countries consider, inter alia, some form of concerted action in this field. They were prepared to contemplate the possibility of a multilateral approach to the liberalization of trade in vegetable oils and seeds and suggested that it might be possible to examine the problem of trade liberalization in a small group fully representative of the interests of both developed and developing countries. As a small step forward, developed countries might also again consider the adoption of a standstill against the introduction of any new barriers to trade in vegetable oils and oilseeds.

21. The representative of Japan recalled that his Government had removed all quantitative restrictions on vegetable oils and seeds and now maintained only a small fixed duty on these products. He considered that vegetable oils could well be the subject of multilateral negotiations with a view to defining the problems in this sector as a whole and seeking solutions on a most-favoured-nation basis.

22. The representative of the United States reiterated his Government's willingness to discuss its standstill proposal as well as the possibility of concerted action to liberalize trade in vegetable oils on a most-favoured-nation basis. He had no specific proposals to offer at this stage as to how and where such action might be initiated. However, any work on this subject in the GATT should be co-ordinated with the activities of other international organizations, especially the FAO Study Group on Oilseeds, Oils and Fats.

23. In the view of the representative of the European Communities, vegetable oils could well be the subject of multilateral consultations with a view to defining precisely the problems arising in the sector as a whole. While the standstill proposal would tend to freeze the present situation, there appeared to be certain elements which needed to be corrected in the interests of the developing countries.

24. The representative of Canada informed the Committee that certain tropical oils were included in the Canadian scheme of preferences. His country had no difficulty with the standstill proposal as already contained in Part IV of the General Agreement and supported multilateral action in this field. It had no strong views as to how and where such action might take place, the important point being that the vegetable oils sector be treated as a whole.

25. The representative of the United Kingdom, referring to the increasing complexity of the problems in the vegetable oils sector, expressed the view that tariff and non-tariff barriers (the main concern of GATT) were not the main problems confronting these products. His Government supported international action in this field and was prepared to consider any practical proposals, though it should be borne in mind that other international bodies were involved and the problem was unlikely to be solved by the GATT alone. Both the FAO and UNCTAD could be held to be better equipped to deal with certain aspects of this problem.

26. The Chairman said that it had become evident that though delegations generally recognized the need for pushing this matter further, the views differed as to how this could best be done. A suggestion had been made that the matter might be referred to an ad hoc group. Many delegations were, however, not in a position to pursue this suggestion at the present session. This being one of the sectors to which the Group of Three would address itself in the near future, the Group might be requested, in the context of its consultations with developed as well as with developing countries, to try to work out some practical solution and inform the Committee at its next meeting about progress in this direction. The Committee agreed to proceed along these lines.

V. Article XIX

27. The Chairman invited comments on the proposal made at an earlier session of the Committee that developing countries be exempted from measures applied under Article XIX as such exemptions, in the view of the representative who had made the proposal, would be in conformity with Part IV of the General Agreement.

28. Representatives of some developing countries referred to the discussions which had taken place in the Committee and summarized in paragraphs 19 and 20 of document L/3625. They considered that Article XIX in its present form could result in a situation where emergency action would penalize developing countries not responsible for the cause of the action in the same way as the offending country which might be a developed country. It was proposed that, in the light

of Part IV and especially Article XXXVII, imports from developing countries should be exempted when escape clause action permitted by Article XIX was taken. These representatives believed that any administrative difficulties could be overcome and suggested the establishment of a working group to study the problem and seek a solution to it.

29. The representative of a developing country felt that the application of Article XIX was a problem for all contracting parties and a strict interpretation would in practice create trade difficulties. The CONTRACTING PARTIES should examine whether, under the present conditions of international trade, Article XIX was realistic. With regard to the particular situation of developing countries he stressed that the principle of preferential treatment had been generally accepted and this should also be taken into account. He supported the setting up of a working group to examine the advantages and disadvantages of any revision of the Article. The representative of another developing country, supporting the establishment of a working group, suggested that when injury was alleged to have been caused by a developing country, consultations should take place prior to any Article XIX action. As an alternative approach it was suggested that when considering action under Article XIX, contracting parties might take into account the compatibility of such action with Part IV which in the view of developing countries provided for more favourable treatment for them. This approach, which would not necessitate any re-drafting of Article XIX, could also be considered by the working group.

30. For the reasons already advanced when this matter was discussed at the last meeting of the Committee, the representatives of some developed countries believed that it was not appropriate to consider a revision of Article XIX in the way suggested by certain developing countries. A representative stated that Article XIX was a safety valve which enabled contracting parties to make trade concessions, which might not otherwise be possible. The representative of another developed country said that he could not accept the view that Part IV allowed a departure from Article XIX which should be applied across the board on a most-favoured-nation basis. However, there could be situations where an importing country might after paying regard to the particular interests of developing countries decide not to proceed with any emergency action under this Article. Yet another of these representatives stated that what was most important was to ensure that escape clause action should be taken only in cases of real injury and on a temporary basis. Any attempt to dilute Article XIX might result in importing countries taking action outside the framework of the Article, with the possibility of serious consequences for international trade. The representative of another developed country questioned whether exemption from Article XIX was in the long-term interest of developing countries. The artificial market created by an exemption would be quickly closed upon removal of the restriction with attendant repercussions for developing country suppliers.

31. For these reasons, these representatives could see little purpose in the establishment of a working group as proposed by developing countries. The representative of a developed country suggested that any working party should be created by decision of the Council with terms of reference applying to the problem as a whole and not only to matters of particular interest to developing countries.

32. The Chairman said that further time was obviously needed for reflection on how to proceed. He hoped that members of the Committee would give full consideration to all the views expressed since this matter was first raised, including the additional points raised in the discussion at the present session.

VI. Residual import restrictions

33. The Chairman of the Group on Residual Restrictions, Mr. G.O. Niyi (Nigeria) informed the Committee of the discussions which had taken place at the meeting of the Group held on 24-25 January 1972 and drew attention to the main points emerging from these discussions as recorded in secretariat note COM.TD/W/161.

34. Some members of the Committee representing developed as well as developing countries expressed disappointment at the slow and limited progress made and suggested that consideration might be given to a reorientation of the Group's work. In this connexion, a number of specific proposals (though many of these met with criticism from one delegation or another) were made. It was suggested that contracting parties applying residual restrictions should provide more comprehensive information on action taken towards the relaxation of restraints, e.g. by enlargement of quotas or introduction of seasonal measures as recommended in COM.TD/79; contracting parties maintaining illegal restrictions on products of interest to developing countries should report annually on measures taken to relax such restrictions; developed countries with State-trading practices should be invited to provide details on the practical operation of such transactions concerning products examined by the Group for the information of developing countries; the Group might undertake an examination in depth of a more limited list of products of significant trading interest to developing countries; the relationship between the work of this Group and the Group of Three might be examined; countries maintaining restrictions should provide reasons and justification for their continued application and target dates should be established for the removal of restrictions. If necessary, developing countries could have resort to the consultation procedures under Article XXXVII:2 or the Group itself might enter into consultations separately with countries maintaining restrictions. In considering the removal of residual restrictions, the Group should also have regard to the effects of such action on particular developing countries or groups of countries.

35. The Chairman said that the suggestions made provided a useful basis for the possible reorientation of the work of the Group and suggested that the Chairman of the Group on Residual Restrictions and the Group of Three might consult with interested delegations and the secretariat on an informal basis. The Committee might revert to the matter at its next meeting.

VII. Non-tariff barriers

36. Representatives of developing countries explained the reasoning behind their proposal for the setting-up of an ad hoc group to consider priority action for the removal, on a preferential basis, of non-tariff barriers for the benefit of developing countries, pending the commencement of multilateral negotiations.

Terms of reference of the group had been proposed in COM.TD/W/158. They felt that the Generalized System of Preferences was a positive development in providing preferential tariff treatment for the products of developing countries but that it was now necessary to break new ground also in the field of non-tariff barriers. They recalled that at the twenty-fourth GATT session in 1967 it had been agreed that the CONTRACTING PARTIES would explore the possibilities for taking action on non-tariff barriers and that the problems of developing countries should be given priority consideration. While the identification of the problems had been concluded and the search for ad referendum solutions has proceeded, no practical action had been taken on a priority basis in the interests of the developing countries. Although it might be possible to adopt measures on a most-favoured-nation basis, it was proposed that progress, in the interests of developing countries, could also be made in certain instances on a preferential basis. The benefits of such advance action would of course disappear when multilateral action for the removal of these barriers was taken.

37. These representatives suggested that an ad hoc group could review the problems that have arisen in securing the elimination of non-tariff barriers on products of export interest to developing countries, and submit proposals and recommendations to the Committee. With regard to the second proposal mentioned in the annotated agenda (COM.TD/W/154) concerning the possibilities of negotiations on non-tariff barriers among developing countries, it was still under consideration among the developing countries themselves.

38. The representatives of some developed countries were of the opinion that although they would have no problem with discussing possibilities for removal of non-tariff barriers on a non-discriminatory basis, the proposal now advanced by the developing countries raised problems of principle and needed thorough consideration. One of these representatives suggested that consideration might as a first step be given to the country studies recommended by the Group of Three, which would list information on non-tariff barriers faced by individual developing countries. The representatives of some developed countries did not favour the setting-up of an ad hoc group for the purpose envisaged, whereas the representatives of some other developed countries felt that the proposal was an important and interesting one and that more time was needed for a careful examination of it.

39. The Chairman said that while the representatives of developing countries had strongly supported the establishment of an ad hoc group for the purpose mentioned in the proposed terms of reference, the representatives of developed countries had generally indicated that they had to refer the matter back to capitals. He hoped that members would give due consideration to the suggestion put forward by the developing countries, so that a fruitful discussion could take place at the next meeting of the Committee.

VIII. Calendar of meetings

40. The Chairman invited the secretariat to provide details of the likely schedule of meetings for the Committee on Trade and Development and subsidiary bodies during 1972. The representative of the secretariat said that it was clear that any such time-table would have to take into account the suggestions on the various issues which had been discussed at the meeting. Having regard to the programme of work of the Group of Three, about which the Committee had been informed, and to the need for taking into account other international meetings, it was proposed that the Committee on Trade and Development might meet during the first half of June 1972.

41. The next meeting of the Expert Group on Adjustment Assistance Measures to consider the replies to the expanded questionnaire might be arranged during the second half of March.

42. The timing of the next meeting of the Group on Residual Restrictions would depend on the informal consultations which are to take place on the possible reorientation of the work of the Group and the consideration to be given to this matter at the next meeting of the Committee.