

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

PROCEEDINGS OF THE TWENTY-SEVENTH SESSION

Prepared by the Secretariat

Introduction

1. The Committee on Trade and Development held its twenty-seventh session on 24 and 25 June 1974 under the Chairmanship of Dr. Petar Tomić (Yugoslavia).
2. In his introductory remarks, the Chairman referred to the important developments in international trade relations which had taken place since the previous session of the Committee. These included the programme of work being pursued under the auspices of the Trade Negotiations Committee set up by the Tokyo Declaration which had launched a new round of multilateral trade negotiations. There had also been developments which were having a serious impact on the trade and payments situation of many countries including developing countries and some of these were relevant to the implementation of Part IV of the General Agreement.
3. The agenda (COM.TD/W/209), which was adopted by the Committee, thus contained items related to the review of the implementation of Part IV, review of developments in international trade and technical assistance for developing countries in the context of the trade negotiations.

Review of implementation of Part IV

4. As background for discussion on this item, the Committee had before it document COM.TD/W/210 which provided a summary of information available to the secretariat in relation to the action taken by governments in the context of the implementation of Part IV of the General Agreement as well as other relevant developments. In this connexion, a number of delegations provided details of recent measures taken by their governments.
5. The representative of Australia informed the Committee that his Government had established a trade development facility in the Department of Overseas Trade to provide market information and to process trade enquiries from developing countries relating to the new and more broadly based system of preferences introduced by his country on 1 January 1974. He also indicated that details of new arrangements and guidelines covering imports of handicrafts as well as products subject to improved treatment as from 1 July 1974 would be transmitted to the secretariat for circulation to contracting parties.

6. The representative of Austria said that, as a result of the first stage of preferential tariff reductions, imports into his country of products covered by the GSP had increased substantially in 1973. He recalled additional tariff reductions on spices and cocoa products as well as the inclusion of extracts of coffee, solid, in the scheme, which were implemented on 1 January 1974. Since then, his Government had initiated legislative action to raise, as a second stage, the preferential margin for products within BTN Chapters 25 to 99 from 30 to 50 per cent, (35 per cent in the case of textiles). The inclusion in the scheme of all cotton textiles, with the exception of only two items, will reduce exceptions to a minimum. With regard to BTN Chapters 1-24, the bill provides for deeper tariff cuts on a large number of products as well as for the inclusion of additional products. In determining the tariff rates to be reduced and the products to be included, the greatest possible attention had been paid to the interests of the least developed among developing countries. Additional export opportunities for developing countries will also be created by the implementation of the provisions regarding the importation of handicrafts at reduced or suspended rates of duty. Commenting on the assistance given by his country to the marketing of products of developing countries, he stated that Austria had agreed to support the cost of an additional official in the International Trade Centre; furthermore, it had continued to provide trade promotional facilities through the Foreign Trade Office and by means of the 1973 Special Course for Customs Officials from developing countries.

7. The representative of Canada stated that the Canadian GSP scheme would be put into effect on 1 July 1974. It would be kept under continuous review and further improvements would be considered in the light of experience.

8. The representative of Japan said that in April 1974 his Government had introduced deeper tariff cuts on a number of items of interest to developing countries including sheep and lamb skin leather, goat and kid skin leather, undergarments and some linen products.

9. The representative of the Commission of the European Communities informed the Committee that the Generalized System of Preferences for the enlarged Communities for 1974 had, among other things, provided for substantially increased ceilings, a reduction in the number of items subject to tariff quotas and improvements in procedures. In the industrial sector, other than textiles, the enlarged scheme involved more than a doubling of the total admissible under quotas and ceilings from 900 million units of account in 1973 to about 2,000 million units of account in 1974. The number of "sensitive" items subject to quotas had been reduced from 61 to 51 in 1974. With regard to textiles, the total admissible under quotas and ceilings in the current year would be approximately 68,000 tons as compared with just over 42,000 tons in 1973. As for

transformed agricultural products, new products had been included and in certain cases, wider preferential margins introduced. The list of beneficiary countries had also been enlarged. The question of introducing further improvements, especially with respect to transformed agricultural products, was under consideration in the Community.

10. The representative of Sweden said that his Government had decided to establish a special agency in Sweden to promote imports from developing countries. This agency was expected to come into operation towards the end of the year and would, in collaboration with the Swedish Chamber of Commerce, advise and provide information to exporters in developing countries about sales possibilities, market conditions and assist them in establishing contacts with Swedish importers.

11. The representative of Switzerland said that in the first stage of the implementation of the Swiss GSP, products falling within BTN Chapters 25-99 had benefited from a 30 per cent tariff reduction. While in 1972, imports of such products amounted to Sw F 24 million, they had increased to Sw F 38 million in 1973. The number of developing countries exporting to Switzerland under the GSP had increased to sixty in 1973. The second phase of the scheme which had been introduced on 1 April 1974 provided for the complete elimination of tariffs on industrial products to which the 30 per cent reduction had earlier been applied. Preferential treatment had also been accorded to a number of products in the textile and footwear sectors. Certain additional agricultural products had been included in the preference scheme and duties had been fully eliminated on those agricultural products which had benefited from the earlier 30 per cent reduction. As part of the continuing effort to assist developing countries derive maximum benefit from the preference scheme, the Swiss authorities would shortly issue a brochure for exporters in developing countries.

12. Representatives of developing countries expressed appreciation for the further action taken by developed countries to improve their GSP schemes. They believed, nevertheless, that there remained considerable scope for improvements in the GSP and expressed the hope that donor countries would continue to broaden their preferential arrangements in favour of developing countries. The representative of one developing country stated that the criterion of "self-election" in respect of the GSP had not been implemented by all the donor countries and hoped that this anomaly would be removed at the earliest possible date in order to contribute to the elimination of his country's large trade deficits vis-à-vis those granting preferences and thereby to the elimination of its balance-of-payments deficit. Representatives of some developing countries drew attention to difficulties they had been experiencing in complying with administrative procedures and the restrictive nature of certain origin rules.¹

¹A delegation of the ASEAN group of countries suggested a number of criteria concerning rules of origin in the context of the GSP. These have been circulated in document Spec(74)35.

13. Representatives of some developing countries pointed out that implementation of the Canadian Generalized System of Preferences would result in the loss of special preferences enjoyed by them in the Canadian market and it was therefore important that adequate opportunities be provided for their products in the schemes of other countries. They urged the early implementation of the GSP scheme of the United States. They also noted that the alignment of the United Kingdom's tariff with the Common External Tariff of the EEC resulted in the reduction of special preferential margins to which they had previously been entitled. In addition, the application of the enlarged EEC scheme of preferences in the United Kingdom as from 1 January 1974 had meant that access to that country under the GSP had become more restrictive. These representatives expressed the hope that a liberal approach would be taken by the Communities towards those countries which had previously enjoyed special preferences in the United Kingdom.

14. Representatives of some developing countries observed that the restrictive import measures applied recently by certain governments affected products of export interest to developing countries contrary to the spirit of Part IV of the General Agreement. They urged the governments concerned to take steps to exempt the trade of developing countries from such measures.

15. The representative of a country that has introduced an import deposit scheme said that the measure had been applied on a non-discriminatory basis, taking into account also the interests of developing countries; he expressed regret at the fact that some countries might be more affected than others. The measures concerning the import deposit had been taken for compelling reasons and, in the view of his delegation, were therefore consistent with the provisions of Part IV. The import deposit scheme implemented was largely a measure of a monetary character and in any case was not designed to be protectionist. Furthermore, the measure in question was of a temporary nature. The representative of a group of countries stated that questions relating to the application of the deposit scheme might appropriately be taken up in the Working Party set up by the Council for the examination of the scheme.

16. The representative of a developing country informed the Committee that certain developed countries, with which his country had recently completed negotiations relating to modifications of schedules, had insisted on strict reciprocity and had not attached any significance to the provisions of Article XXXVI:6 despite specific reference to this in the waiver relating to this matter. Some other delegations of developing countries also expressed concern on this point and the hope was expressed that such an experience would not recur in the multilateral trade negotiations.

17. In welcoming the declaration adopted by OECD countries pledging to refrain from introducing new trade barriers for one year, some developing country representatives pointed out that because most developing countries were not members of that organization they were not able to participate in any consultations which might take place in that body on important matters of this nature. It was suggested that OECD countries should be prepared to consult on such matters in GATT and for this purpose the Committee on Trade and Development could be an appropriate forum. Some representatives of developed countries said that the commitments contained in the pledge went beyond their obligations under GATT provisions. In effect, the OECD pledge had been an undertaking not to impose quantitative import restrictions for balance-of-payments reasons even when they would have been permitted under GATT rules. They said that they were not opposed to holding consultations with developing countries in GATT and in so far as these were called for under GATT provisions that the Committee on Trade and Development could be an appropriate place for this purpose. A number of delegations noted that, while commitments assumed by developed countries not to resort to import restrictions were to be welcomed regardless of the form in which they were assumed, this did not detract from the obligations of the countries concerned to consult in GATT as required under the provisions of the General Agreement.

Review of developments in international trade

18. The Chairman drew attention to document COM.TD/W/212, "Review of Developments in International Trade" which in Part I dealt with past developments in trade in major commodities and Part II with the implications for developing countries in 1974 of recent changes in commodity prices. The note had concluded that if developing countries as a group, excluding the oil-exporting countries, maintained in 1973 and 1974 the same volume of exports and imports in the three main product categories (primary products, fuels, and manufactures) as in 1972, their 1972 trade deficit of \$11 billion would have been reduced in 1973 to \$9.5 billion but would in 1974, depending on the high and low commodity-price assumptions utilized, increase to between \$15 and \$24 billion. While stressing that the trade problems of developing countries could not be viewed in isolation from the overall situation in the world economy, he invited discussion on what action might be taken within the GATT framework to help these countries meet their additional payments requirements.

19. Several representatives who spoke on this item, in commenting favourably on the note, said that the general rise in commodity prices had not been unjustified since prices of primary products had been low in comparison with the prices of industrial products ever since the Korean War. It was recognized, however, that the rapidity with which some price rises had occurred had contributed to the difficulties some countries were facing. It was noted also

that the higher export prices for primary products had not been enjoyed by all developing countries. Some representatives of developing countries stated that there had been a substantial deterioration in the terms of trade and the purchasing power of their countries because the prices of their imports had risen substantially. They emphasized that for them the possible result of the new conditions prevailing in the world economy was not merely a slowing down of their rates of economic growth but total dislocation of their economies.

20. Some representatives said that in addition to the three broad causes of the commodity-price boom listed in paragraph 12 of the note, reference should be made to the higher levels of demand experienced in developing countries and to the fact that, in the past, price incentives for investment and increased production in the primary products sector had been small. Some representatives referred to the increase in the price of crude petroleum in late 1973, which had in turn raised the costs of other products, particularly fertilizers, and said that this could not be ignored in any general consideration of the present commodity situation.

21. It was mentioned by some representatives that although they could understand the reasons for applying export restrictions to primary commodities in exceptional circumstances, such as in order to safeguard domestic requirements, they did not feel that measures of that nature should be used in order to raise world prices.

22. In welcoming the assistance envisaged for developing countries under the special programme adopted by the United Nations General Assembly and the efforts being made in the International Monetary Fund to establish a special financing facility which should permit developing countries to cover a part of the increased cost of imports on special terms, a number of representatives felt, nonetheless, that additional help should be provided. Many representatives stressed the importance of making progress in the multilateral trade negotiations and considered that priority attention should be given to the liberalization of trade on products of export interest to developing countries; only in this way could they secure the additional benefits referred to in the Tokyo Declaration. Some representatives also referred to the important rôle commodity agreements could play in stabilizing prices of primary products to the benefit of both importers and exporters. In referring to the co-operation which existed between the GATT and the I.F., some representatives also drew attention to the importance of co-operation in the trade and financial fields with other international organizations such as UNCTAD. In supporting the view expressed in paragraph 35 of document COM.TD/W/212, one representative said that the imposition of restrictions on imports from developed countries should equally be avoided.

23. In his summing up, the Chairman said that on the basis of the various points put forward by delegations, the discussion appeared to reflect general support for the view expressed in paragraph 35 of document COM.TD/W/212 which was intended to focus on the problems relating to the trade of developing countries. This indicated that there was an urgent need to avoid the imposition of restrictions on imports from developing countries and to work out effective measures aimed at securing a further expansion of these imports through appropriate measures in all areas to which the multilateral trade negotiations are addressed. The hope was expressed that the GATT and IMF would be able to extend their co-operation to deal satisfactorily with the balance-of-payments difficulties that many countries were facing in the current situation.

Technical assistance

24. The Committee had before it two notes by the secretariat, COM.TD/94 and COM.TD/W/211, reviewing the work done under the technical assistance programme and indicating the lines on which future work could be organized.

25. Representatives from developing countries expressed their appreciation for the technical assistance being provided by the secretariat. A number of delegations which had already received computer print-out "country studies" stated that they had found the studies of great use in identifying specific tariff and non-tariff barriers affecting products of major export interest to them in the context of preparations for the multilateral trade negotiations. The Committee noted that with the completion of the third series of computer print-outs, more than fifty developing countries will have been covered by the programme. It was also noted that in the third series of these studies, data was being provided on main suppliers for each of the products covered by the respective studies.

26. Representatives of developing countries welcomed the suggestions set out in COM.TD/W/211 concerning the undertaking of studies on certain product groups and the establishment of a data bank for these and other product groups of special export and negotiating interest for developing countries. Several representatives indicated that they might wish to nominate additional products for such studies at a later stage.

27. A number of representatives referred to the documentation prepared by the secretariat on certain non-tariff measures and requested the secretariat to continue to provide relevant information and documentation in regard to other non-tariff measures under consideration in the trade negotiations. Possibilities for action on these measures in the negotiations, including differential measures for developing countries as envisaged in the Tokyo Declaration, might be indicated in such studies.

28. Some representatives, in referring to the UNCTAD/UNDP programme of technical assistance for developing countries in the context of the multilateral trade negotiations, hoped that close co-operation would be established between the secretariats of GATT and UNCTAD in order to make the most efficient use of available resources and to avoid unnecessary duplication of work. The representative of the GATT secretariat stated that the programme of technical assistance in GATT had been established some time ago by the Group of Three and the Committee on Trade and Development. The programme was practical in its operation and based on requests made by delegations. In addition, the secretariat was providing full information on the work done or which it proposed to do under its technical assistance programme. The GATT secretariat had also been informed about the work which UNCTAD proposed to undertake under its programme. These contacts were welcomed and it was to be expected that such exchanges of information would be useful in avoiding duplication. Availability of details on the work being carried out by the two organizations would also inform delegations about the type of assistance that is readily available from each organization and help them to formulate their requests with a view to avoiding duplication.

29. In his summing up, the Chairman noted that the Committee had endorsed the technical assistance being provided to developing countries by the secretariat and had welcomed its practical and operational character. The Committee had also supported the proposals for further work under the programme contained in document COM.TD/W/211. Some representatives had emphasized the need for contacts and exchanges of information between the secretariats of GATT and UNCTAD in connexion with their respective technical assistance programmes. The Committee had referred to the usefulness of the GATT commercial policy training courses for developing country officials which had, over the last two years, been oriented towards the multilateral trade negotiations. In this connexion, note was taken of the special training course currently in progress for senior officials from developing countries.

Next meeting of the Committee

30. Members agreed with the Chairman's proposal that the Committee should hold at least one further meeting shortly before the session of the CONTRACTING PARTIES. Among other things, the Committee might review developments in international trade relations and in other international organizations, policy measures taken by governments, as well as progress in the multilateral trade negotiations that might be relevant to the implementation of Part IV. The Committee might consider whether it can offer any useful suggestions or recommendations in the context of the trade negotiations. On the basis of a progress report by the secretariat on technical assistance activities, the Committee might also review the situation in this regard and make suggestions concerning further work that could be undertaken. The Committee would also adopt its report to the thirtieth session of the CONTRACTING PARTIES.