

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

## PROCEEDINGS OF THE TWENTY-NINTH SESSION

Prepared by the Secretariat

### Introduction

1. The Committee on Trade and Development held its twenty-ninth session on 22 and 23 May 1975 under the Chairmanship of Mr. Olijide Alo (Nigeria).
2. In his introductory remarks the Chairman said that, in accordance with the mandate given to the Committee by the CONTRACTING PARTIES, it had, as one of its main functions, been undertaking an overall review of developments affecting international trading relationships taking into account the particular problems of developing countries with a view to offering comments and suggestions with respect to these problems in the light of the provisions of Part IV of the General Agreement. This rôle had assumed special importance now that countries were actively engaged in the substantive phase of the multilateral trade negotiations.
3. The agenda (COM.TD/W/224) which was adopted by the Committee contained four items, namely, the review of the implementation of Part IV, review of developments in international trade, technical assistance to developing countries in the context of the multilateral trade negotiations and expansion of trade among developing countries.

### I. Review of implementation of Part IV

4. The Chairman recalled that the Committee on Trade and Development was required by its terms of reference to keep under continuous review the implementation of Part IV of the General Agreement and to carry out, at least once a year, a major review of commercial policy measures adopted by governments in conformity with Part IV. For the review at the present session of the Committee, details available to the secretariat on actions by governments since the last review in October 1974 with respect to commercial policy measures of interest had been summarized in document COM.TD/W/227 and Add.1. This document contained, in addition, a summary of progress in the multilateral trade negotiations as well as other developments in GATT and provided information on certain developments in other international

organizations. The Chairman noted that delegations may wish, in this context, to comment on the application of Part IV in relation to the objectives it was intended to serve. He recalled that consideration of improvements to the framework for the conduct of international trade was one of the questions to be taken up at an appropriate stage of the multilateral trade negotiations.

### Tariffs

5. The representative of Austria recalled that his Government had implemented the Law permitting duty-free treatment for certain hand-made products and allowing imports of certain hand-made textile products at reduced rates of duty. Many developing countries had either notified their intention to the Austrian authorities to enter into necessary arrangements with a view to availing themselves of the facilities offered or had already finalized such arrangements. He invited other interested developing countries to also notify their intentions in this regard.

6. The representative of Japan informed the Committee that, effective 1 April 1975, his Government had reduced most-favoured-nation duties on forty products including a number of export interest to developing countries such as dried shrimps, prawns and lobsters and certain articles of wood.

### Generalized System of Preferences (GSP)

7. The representative of Austria said that the second stage of the Austrian Generalized System of Preferences, implemented on 1 January 1975, provided for broader product coverage (including products falling within BTW Chapters 1-24) and deeper tariff cuts. The scheme now included, in particular, all textile items with the exception of two.

8. The representative of Canada said that a review of the working of the Canadian GSP was scheduled to be carried out by his Government in the near future. He expressed the hope that developing countries which had any suggestions to make in this connexion would get in touch with his delegation.

9. The representative of the Commission of the European Communities said that, as of 1 January 1975, the number of tariff quotas on products in the industrial sector, other than textiles, in the Communities' GSP scheme had been reduced from forty-seven to sixteen, in line with requests from developing countries. As of 1 July 1975, tariff duties on pepper, palm oil, palm kernel oil, almond oil and coconut oil would be reduced by 20 to 40 per cent depending upon the product concerned. With regard to the future of the Communities' preference scheme, he recalled that in the Resolution adopted by the Council of Ministers on 3 March 1975, the Communities had stated their intention to continue with the enlargement, simplification and improved management of the scheme. Particular attention would be paid to the needs of the least-developed among developing countries. The Communities had also felt that the GSP should be extended beyond 1981. The Communities were continuing to provide assistance to developing countries in efforts to expand their exports through organizing seminars and providing technical and financial support for such activities.

10. The representative of Japan said that since the implementation of the Japanese GSP in 1971, his Government had continued to introduce improvements by way of adding more products, including products falling within BTN Chapters 1-24, effecting deeper tariff cuts, administering ceilings or quotas in a flexible manner and enlarging the number of beneficiary countries which had risen from the original 96 to 138 countries. Imports into Japan under the GSP scheme had attained the level of US\$1.3 billion in the fiscal year 1974 which represented an increase of 3.6 times when compared with the level of imports in the fiscal year 1972. Taking into account the liberalization measures adopted by his Government, imports into Japan from developing countries (including petroleum) amounted to US\$33.2 billion in the calendar year 1974, representing an increase of 104 per cent over the 1973 figure or 53.4 per cent of total imports into Japan. Total imports from developing countries (excluding petroleum) amounted to US\$14.7 billion in 1974, which represented an increase of 42.7 per cent over the 1973 figure.

11. The representative of Norway informed the Committee that his Government had recently submitted to Parliament a comprehensive report on the whole range of his country's economic relations with developing countries. The report contained a number of concrete proposals aimed at strengthening Norway's contribution towards the solution of the problems of developing countries including improvements in the GSP, duty-free treatment for products covered by BTN Chapters 1-24 when imported from the least-developed among developing countries, extension of the GSP beyond the ten-year period, increase in development assistance beyond the level of 1 per cent of gross national product after 1978, greater use of adjustment assistance to permit increased imports from developing countries, institutional arrangements to guide and assist producers and exporters in developing countries wishing to export to Norway and the establishment of a special lending agency to provide capital for joint ventures in developing countries with the aim of encouraging diversification of their economies.

12. The representative of Sweden said that his Government was actively concerned with the problems of developing countries, bilaterally as well as in international fora. As regards development assistance to developing countries, the one per cent target would be reached during the fiscal year commencing 1 July 1975. The Swedish GSP, which had already a broad coverage, was continuously reviewed with a view to making further improvements. His Government was ready to consider measures aimed at increased security for the GSP including, inter alia, through an extension in time. The Swedish Import Promotion Office for Products from Developing Countries had started functioning from 1 January 1975.

13. The representative of Switzerland said that since the introduction of the second phase of the Swiss Generalized System of Preferences, all the items falling within BTN Chapters 25-99, with few exceptions, were subject to zero rates of duty when imported from most developing countries (and reduced rates in respect of imports from a few of the more advanced developing countries) without any quota restrictions. The same was true for a number of products falling within BTN Chapters 1-24. He added that imports under the preference scheme had increased from Sw F 292 million in 1972 to Sw F 454 million in 1973, (an increase of 55.5 per cent) and Sw F 624 million in 1974 (an increase of 37.3 per cent on 1973). Each year developing countries were invited to participate in various exhibitions and fairs held in Switzerland.
14. The representative of the United States described certain of the main features of the Trade Act 1974, which had provided his Government with the necessary authority to participate in the multilateral trade negotiations and to institute a preference scheme in favour of developing countries. As for the preference scheme, he mentioned that on 24 March, the President signed an Executive Order designating eighty four countries and forty three territories eligible for beneficiary status. It also listed twenty four countries not eligible for the present but which were being considered for possible designation as beneficiaries. At the same time, a list of more than 3,000 products which would be considered for inclusion in the preference scheme had been published in the Federal Register. The list included all semi-manufactured and manufactured items, with the exception of mandatory exclusions, such as import-sensitive textiles, footwear, steel, and watches, as well as a few items subject to import relief or national security rulings. Also included in the list of potential GSP items were a selected group of agricultural and fishery products and industrial raw materials. While items included in the scheme would receive duty-free treatment without any quantitative limitations, there would, however, be provision for withdrawing preferences on particular products from particular countries, if their preferential exports exceeded certain specified levels. It was expected that this feature of the scheme would be of particular benefit to the least-developed among developing countries since it would permit them to have a more equitable share of preferential imports into the United States market. The scheme was expected to go into effect in the fall.
15. The representatives of developing countries expressed appreciation for the improvements which had been introduced by a number of developed countries in their generalized systems of preferences and also noted with satisfaction the indications provided by various donor countries relating to procedures already instituted to improve their preference schemes as well as those measures which were aimed at providing assistance to developing countries in expanding exports and diversifying their economies. They felt, however, that there was still considerable scope for further improvements in the GSP through expanding the product coverage, particularly to include products of special export interest to developing countries such as textiles, leather goods and agricultural products in

their raw, semi-processed and processed forms, allowing deeper preferential margins, raising substantially and where possible eliminating ceilings and quota limitations and by taking various other measures along the lines suggested by developing countries. Some of these representatives stressed that, in their view, the GSP should be applied on a non-discriminatory basis in respect of all developing countries.

#### Import restrictions

16. Delegations of developing countries, while noting with appreciation the action taken by certain developed countries in removing or relaxing some of the import restrictions imposed earlier, expressed their deep concern at the imposition of new restrictions which in their view was contrary to the provisions of Part IV. Mention was made of new restrictions on such items as textiles, footwear etc. It was suggested that even in cases where developed countries felt it necessary to impose trade restrictions, they should exempt imports from developing countries particularly where developing countries were marginal suppliers and were thus not responsible for market disruption. They reiterated their appeal to developed countries to eliminate those restrictions which were affecting their exports.

17. In connexion with the OECD pledge adopted in May 1974, it was noted that member countries of OECD had undertaken to refrain from the introduction of import restrictions for a period of twelve months for balance-of-payments reasons.

#### Application of Part IV

18. Some representatives of developing countries stated that the periodic review of the implementation of Part IV would not have much meaning unless it was forward looking. The Committee, in addition to reviewing action taken by governments in relation to Part IV, should also identify areas for priority action. This would imply, inter alia, the revision and strengthening of Part IV in order to make it more responsive to the changed economic situation and to the needs of developing countries, bearing in mind the discussions in other international fora, such as the sixth special session of the United Nations and the Dakar Conference on primary commodities. At the recent meeting of the Trade Negotiations Committee, some suggestions had been made relating to improvements to certain of the provisions of Part IV. There was, for example, an urgent need for strengthening the commitment provisions of Part IV, with a view to making them more explicit and binding in nature and for the incorporation of new commitments as well as additional measures for joint action. Consideration should also be given to the inclusion of provisions providing for preferential treatment for developing countries such as through the GSP and the binding of preferential margins in favour of developing countries. These actions in favour of developing countries should be provided for in the rules of the General Agreement instead of being treated as exceptions to the rules. On the same basis, provision should also be made permitting the implementation of other relevant measures including preferential arrangements among developing countries.

Multilateral trade negotiations

19. In response to a number of comments made by representatives of some developing countries in connexion with progress in the multilateral trade negotiations, representatives of some developed countries stated that participants in the trade negotiations were committed by the Tokyo Declaration to differential treatment for developing countries in areas where this was feasible and appropriate. A number of proposals made by developing countries in this connexion were under consideration and they would be fully taken into account as the negotiations proceeded. In the case of tropical products, which were receiving special and priority treatment, the request lists for concessions so far received were being closely examined.

20. It was proposed by representatives of some developing countries that, for future meetings, a separate item should be inscribed on the agenda of the Committee dealing with the multilateral trade negotiations. As background material the secretariat might be asked to prepare a separate report which would summarize developments in the MTN with particular reference to the problems of developing countries, highlighting specific issues which could be usefully discussed. In this connexion, it was also suggested that any such activity of the Committee should not duplicate the work and the review functions of the Trade Negotiations Committee.

Lomé Convention

21. While appreciative of the European Communities' policy towards certain developing countries, a member of the Committee emphasized the need for ensuring that the provisions of the Lomé Convention were implemented in a manner which did not discriminate against the interests of other developing countries. He observed that some of the features of the Convention, such as the STABEX arrangements, might be implemented on a global basis by all developed countries with a view to providing benefits to all developing countries. Some delegations noted that the GATT Council of Representatives had yet to examine the provisions of the Convention.

22. In his summing up, the Chairman referred to the main points taken up in the discussion. While a number of delegations had welcomed certain positive commercial policy developments, they had noted with concern the introduction of new barriers to trade affecting the export interests of developing countries. They had once again urged developed countries to exempt developing country products from such restrictions, taking into account the standstill provisions of Part IV. A number of points had been made concerning the adequacy of Part IV of the General Agreement and the General Agreement as a whole in the light of changes and developments in the international trading system and the consideration to be given to improvements in the framework for the conduct of international trade in the MTN. It had been suggested that as part of the activities of the

Committee, Part IV should be subject to a thorough review to see how certain of its provisions could be improved. It had also been suggested that the Committee might follow more closely developments in the multilateral trade negotiations having regard to the mandate provided to it in Part IV of the General Agreement. It had been proposed that a separate item concerning the MTN might be included on the Committee's agenda for future meetings and that, having regard to the comments concerning the avoidance of duplication with the work of the TNC, the secretariat might prepare for consideration by the Committee a separate note on developments in the negotiations, taking into account issues of interest to developing countries.

## II. Review of developments in international trade

23. The Chairman recalled that at its last meeting, the Committee had undertaken a review of developments in international trade on the basis of a secretariat note (COM.TD/W/215) which described trends in the trade-and-payments situation of developing countries with particular reference to developments in trade in primary commodities. The note before the Committee (COM.TD/W/226) analyzed developments in commodity trade since mid-1972 and the implications of developments for the trade-and-payments situation of developing countries during 1975 based on certain price assumptions. As a result of the lower price levels expected for many primary commodities exported by developing countries and the anticipated continuing increase in prices of imports of manufactures, it had been estimated in paragraphs 15 and 16 of the note that the trade deficit of developing countries (excluding the oil exporters) would register a substantial increase in 1975.

24. A number of representatives from developing countries expressed dissatisfaction with recent trends in commodity prices. In this connexion some of them referred specifically to developments in respect of commodities of interest to their countries. They said that the implications for 1975 as described in the secretariat document were of great concern particularly the forecast that the trade deficit of developing countries, (excluding the oil exporters) which had stood at an estimated \$29 billion in 1974 could experience a further strong rise in 1975 to \$37 or \$42 billion estimated on the basis of the high and low commodity price assumptions used in the note. This clearly demonstrated, once again, the urgent need for effective measures aimed at securing a further expansion of developing country exports in all areas to which the multilateral trade negotiations are addressed. As had already been stressed, there was also the need for the observation of the commitments embodied in Part IV, including those relating to the maintenance of a standstill on the imposition of new restrictions on imports originating in developing countries.

25. Representatives of some developed countries observed that any analysis of the trade-and-payments situation of developing countries needed to take into account all relevant factors including the effects of the petroleum price increases on the costs and transportation of goods. Having regard to developments in the MTN and discussions in a number of other fora it was evident that there was a growing awareness of the problems facing developing countries. Efforts were being directed, inter alia, towards evolving measures which could bring about a better order in world commodity trade, helping developing countries in augmenting their agricultural production, providing them with an improved industrial base and reducing barriers to trade in processed primary products.

26. In summing up the discussion, the Chairman said that some delegations, in noting developments which were likely to result in a further deterioration in the terms of trade of developing countries in 1975, had expressed great concern at the movements in the cost of inputs and manufactured goods etc. imported by developing countries particularly when related to commodity prices. Stress had been placed on the need for urgent action in the MTN in connexion with points of interest to developing countries taking into account developments and proposals put forward in other international fora where problems of developing countries were also being considered. The Committee had also been reminded that some of the points mentioned in relation to the implementation of Part IV, including the importance of avoiding restrictions on imports from developing countries, were also relevant to the discussion on recent developments in international trade.

27. There was general agreement that this item should remain on the agenda of the Committee for consideration at future meetings.

### III. Technical assistance

28. A note describing the technical assistance being provided by the secretariat to developing countries participating in the trade negotiations had been circulated as COM.TD/W/225. The secretariat, in particular the Special Assistance Unit, had kept in close touch with delegations from developing countries assisting them with appropriate documentation and practical advice on various issues relating to their preparations for and participation in the negotiations.

29. In expressing satisfaction with the technical assistance being provided by the secretariat, representatives of some developing countries indicated certain areas of the negotiations, such as in the field of agriculture and in connexion with differentiated treatment, safeguards, quantitative restrictions etc., where further secretariat assistance would be helpful.



30. In connexion with a suggestion that the activities of GATT and UNCTAD in this field be co-ordinated as far as practicable, the representative of the secretariat recalled that the technical assistance work in GATT was based on requests from delegations as well as on decisions reached in the Groups and Sub-Groups of the Trade Negotiations Committee. Full information with respect to GATT's technical assistance activities was being made available in the context, inter alia, of reports to the Committee on Trade and Development. With respect to the suggestions made in the course of the discussions, the secretariat would certainly take these into account in its future work.

#### IV. Expansion of trade among developing countries

31. The Chairman recalled that at its last meeting in 1974, the Committee welcomed the suggestion that it might serve as a forum for following developments in the context of the Protocol Relating to Trade Negotiations Among Developing Countries. As background, the secretariat had provided in document COM.TD/W/225 a summary of recent developments in connexion with the enlargement of the Protocol and relevant developments in the Multilateral Trade Negotiations with respect to tropical products. Reference had also been made to a suggestion that consideration might be given as to how the provisions of the Tokyo Declaration could lend themselves to the possibilities for the expansion of trade among developing countries.

32. In taking note of the points contained in the secretariat document, the Committee agreed that it would have a further opportunity to discuss these matters when the annual report of the Committee of Participating Countries concerning the operation of the Protocol was presented for consideration.

#### Chairman's concluding remarks

33. In his concluding remarks, the Chairman stated that a number of issues of particular importance to developing countries had been brought to the attention of the Committee in the course of the discussions. While certain actions taken by some developed countries had provided a basis for improved market access for a number of products of interest to developing countries, it was clear that a greater effort was needed in the light of the provisions of Part IV and the opportunities provided by the Multilateral Trade Negotiations. A number of constructive and forward-looking suggestions had also been made with respect to the future work of the Committee, thus ensuring that this body will continue to play its proper rôle within the framework of the General Agreement.