

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/101  
13 June 1979

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Committee on Trade and Development

## PROCEEDINGS OF THE THIRTY-SEVENTH SESSION

Prepared by the Secretariat

### Introduction

1. The Committee on Trade and Development held its thirty-seventh session on 20 April 1979, under the chairmanship of Mr. Prem Kumar (India).
2. The agenda (COM.TD/W/289) which was adopted by the Committee contained three main items, namely, review of implementation of Part IV, developments in the multilateral trade negotiations and future work of the Committee.
3. The Committee took up the agenda items in the order they appeared in document COM.TD/W/289.

### Review of implementation of Part IV

4. To assist in the review of the implementation of Part IV, the Committee had before it a background note (COM.TD/W/291) containing a summary of available information on certain commercial policy measures taken by contracting parties since the last meeting of the Committee in November 1978, as well as information on certain developments in other international organizations of relevance to Part IV.
5. A number of delegations provided details of actions relevant to the implementation of Part IV taken by their governments since the last meeting of the Committee which were not recorded in the secretariat background note (COM.TD/W/291).
6. The representative of Canada informed the Committee that his Government had recently announced that temporary tariff reductions on a wide range of agricultural and manufactured products, which were initially introduced in 1973 and were due to expire in June 1979, had been extended to June 1980. In addition, the Canadian Government had introduced in March 1979 an immediate reduction in rates of duty on a range of fruit and vegetables, with revised tariff schedule to be implemented in October 1979. A number of these products were of interest to developing countries. Details of this action would be provided to the secretariat as soon as possible for circulation to contracting parties.

7. The spokesman for the European Economic Community said that since the last meeting of the Committee, the only member State of the Community which had not so far accepted the Protocol Amending the General Agreement on Tariffs and Trade to Introduce a Part IV on Trade and Development, had now done so. This was a significant development in relation to Part IV, which he felt the Committee would, no doubt, wish to welcome. He drew the attention of the Committee to some of the features of the Community's GSP scheme, particularly in relation to the least-developed countries. The least-developed countries had been exempted altogether from duties on agricultural products and some of the limitations on industrial products covered by the scheme. This was in conformity with the commitments undertaken, including those in the Tokyo Declaration, to provide particular assistance to the least-developed countries. The European Economic Community had not introduced any new import restrictions affecting developing countries since the last meeting of the Committee; this could be regarded as a success in a period of economic recession.

8. Commenting on paragraph 13 of document COM.TD/W/291 regarding import quotas for beef, the representative of Japan provided revised figures.<sup>1</sup> In relation to the Japanese GSP scheme, he stated that his Government undertook a review of the scheme every year. As a result of this year's review, a number of improvements had been introduced in the scheme. Details of the changes would be communicated to the secretariat in due course. He recalled that at the last meeting of the Committee, a reference had been made to cumulative rules of origin which were being extended to ASEAN countries under the Japanese GSP scheme and the possibility of their extension to countries belonging to other regional groupings. He stated that it was not the intention of his Government to restrict the application of cumulative rules of origin to ASEAN countries alone. His Government was, in principle, prepared to consult with other regional organizations interested in the extension of cumulative rules of origin to them. Such consultations would have to take into account, among other factors, the impact of the extension of these rules of origin on domestic conditions and their practicability, including in relation to provisions for proper certification from member countries of the regional groupings concerned.

9. The representative of Norway said that the product coverage of the Norwegian GSP scheme had been enlarged with effect from 1 February 1979, to include bananas, preserved by sugar (ex. 20.04); jams, fruit jellies, marmalades, fruit purée and fruit pastes, of bananas, being cooked preparations (ex. 20.05); and hearts of palm, prepared (ex. 21.07). As from 1 March 1979, the People's Republic of China had been included in the list of beneficiary countries of the GSP scheme.

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<sup>1</sup>(i) In the second line of the paragraph, insert 14,500 tons in place of 12,000 tons.

(ii) In the seventh line of the paragraph, insert 4,500 tons in place of 2,000 tons.

10. Delegations of many developing countries welcomed the acceptance of Part IV by a major trading partner and expressed appreciation for actions taken by developed countries aimed at improving access for their exports. A number of delegations also welcomed the agreement reached at the United Nations Negotiating Conference on a Common Fund on a resolution setting out the fundamental elements of the Common Fund. Some delegations noted that there was still much room for substantial improvements in the individual GSP schemes of donor countries. The effective utilization of the Generalized System of Preferences had been estimated at around 60 per cent. This was due in their view to complex administrative procedures, including rules of origin, which should be simplified and harmonized at the earliest possible date with a view to enabling beneficiary countries to derive maximum benefit from the preferential system. In this connexion, a reference was made to an agreement reached last year providing for plurilateral consultations amongst donor and recipient countries with regard to the content as well as administrative procedures of the GSP schemes.

11. The Chairman said that a number of delegations had approached him with the request that the secretariat should be asked to prepare a paper on the implications of the adoption of the European unit of account by the European Economic Community for the trade of developing countries with particular reference to tariffs and duties. He was placing this proposal before the Committee for comments or suggestions that members might wish to make in this regard.

12. The spokesman for the European Economic Community recalled that consultations were being held in GATT with respect to certain aspects of this matter which any developing country could join. He therefore suggested that any further discussion of the implications of or of the technical aspects of this matter be conducted in the context of these consultations. The Chairman clarified that the paper requested from the secretariat would be of a technical nature and as usual it would be prepared in consultation with the delegations immediately concerned.

#### Developments in the multilateral trade negotiations

13. The Committee had before it a secretariat note, COM.TD/W/290 and Addendum, providing a general summary of recent developments in the multilateral trade negotiations, including with respect to the meeting of the Trade Negotiations Committee on 11-12 April 1979.

14. Delegations from a number of developed countries expressed their general satisfaction with the results of the negotiations at this stage. They emphasized that no delegation had achieved all the objectives that it had set for itself at the outset of the negotiations, but that as a result of necessary compromise a significant step forward had been taken in

international trade relations. They felt that, particularly in the light of the poor international economic situation obtaining during the period of the negotiations, the result was a noteworthy achievement and probably about as much as could be realistically attained at this time.

15. These delegations stated that, in general, they were of the view that developing countries should gain important benefits from the results, both through the further liberalization of international trade and the strengthening of the trading framework together with the widespread provision for special and differential treatment in favour of developing countries. Some of these delegations laid particular stress on the value of the agreements in the field of non-tariff measures, which would not only contribute towards removing a large proportion of existing non-tariff barriers to trade, but also encourage the expansion of world trade through greater international discipline in government activities in the fields concerned. The reinforcement of an effective system of international trade rules was of particular value for small countries, whether developed or developing.

16. Delegations from some developed countries emphasized the importance of effective implementation of the results; it was necessary to secure the results achieved against domestic pressures opposed to them. The point was also made that certain of the instruments negotiated constituted a framework for further trade negotiations over the foreseeable future; the benefits to be obtained from them would depend on the way that they were interpreted and implemented. For all these reasons, it was important that as many countries as possible should sign the Procès-Verbal and, after due examination, accede to the various agreements and arrangements. It was noted that the Procès-Verbal provided flexibility in enabling delegations to indicate the specific texts in respect of which they were prepared to append their signatures.

17. Delegations from developing countries, while welcoming those aspects of the results that could be expected to have positive effects on their trade, expressed disappointment that the results achieved until now had not met their expectations. They stated that in a number of important areas little had been done to remove obstacles to their trade and their particular problems had not always been adequately taken into account in the formulation of the various agreements reached. In this connexion, they urged their developed country trading partners to re-examine the proposals made by developing countries to deal with developing country difficulties with a view to seeing how more satisfactory results might be achieved. Various specific questions raised in this context are referred to in the paragraphs that follow.

18. Some delegations of developing countries referred to the proposal made in the Trade Negotiations Committee at its meeting on 11-12 April, that in the continuation of tariff negotiations there should be no withdrawal of offers made on products of interest to developing countries. Delegations of

some developed countries stated that they were prepared to accept a recommendation of this nature as long as other developed countries were in a position to do so as well. The non-withdrawal of offers was also a matter of concern to them. One of these delegations stated that in drawing up the statement on tariff negotiations (MTN/26/Rev.2) attached to the Procès-Verbal, it had attempted to ensure that the language would help guard against any erosion of concessions already on the table.

19. Delegations of some developing countries urged that in the remaining period of the tariff negotiations efforts be made to improve offers especially in those areas of interest to developing countries, which had been excluded or where reductions offered so far had in their view been unsatisfactory. The representative of one developed country stated that his delegation had not been able to complete all its product discussions on tariffs with developing countries. While major new concessions by his country could not be expected, some further improvements in his country's offer to meet the interests of particular developing countries might be possible. In addition, this representative, commenting on a reference made by a developing country delegation to the erosion effects on GSP margins of m.f.n. concessions, stated that his Government was engaged in a major review of its GSP scheme and might be in a position to make an announcement regarding possible changes in the not too distant future.

20. The representative of a developing country stated that tariff concessions and GSP contributions should be supported by suitable adjustment policies in the developed countries. This would help preserve the value of the concessions and contributions in question and facilitate the expansion of developing countries' exports and thereby their ability to import from developed countries.

21. Delegations of developing countries also referred to the proposal made in the Trade Negotiations Committee that there should be advance implementation of tariff reductions on products of interest to developing countries. The representative of one of these delegations recalled that this had been done in the implementation of the results of the Kennedy Round, when it had not raised legal problems for any country. He was not clear if there were now legal obstacles for any particular delegation. A number of delegations from developed countries stated that they were prepared to consider positively the possibility of advance implementation in the light of the final results of the tariff negotiations. The spokesman for a group of developed countries stated that the matter was complex and in need of careful examination since advance implementation could result in the advance erosion of GSP preferences and the advance loss of special advantages enjoyed by some developing countries. While not being a priori adverse to considering advance implementation, experience gained in respect of the implementation of the GSP and certain concessions where similar action had not been taken by some other trading partners, would have to be taken into account.

22. Delegations of certain developing countries referred to some areas of the negotiations in addition to tariffs where in their view there had been insufficient progress. Some members stated that very little had been done to liberalize quantitative restrictions which were probably among the most important obstacles facing developing-country trade. They had hoped that it would have been possible at least to have agreed on a time-frame for phasing out quantitative restrictions. To the extent that these problems were not adequately tackled, the MTN could not be regarded as complete, and it would be necessary to continue efforts in appropriate bodies to reach satisfactory solutions. Reference was also made by some developing country delegations to the continued existence of trade barriers on tropical products which would need to be dealt with.

23. Many delegations expressed concern about the absence of an agreement on safeguards. In the view of some delegations such an agreement was vital to ensure that MTN results were not impaired in the future. The representative of a developing country stated that codes on subsidies and on safeguards should be viewed as twin disciplines striking a balance between the interests of developed and developing countries; it would be difficult to view one in the absence of the other. He further expressed regret that agreement in the area of safeguards had not been achieved despite the substantial concessions made by developing countries towards reaching agreement. The spokesman for a group of developed countries stated that he shared the importance attached to reaching an agreement on safeguards and hoped this would still be possible. He felt that concessions in the discussion so far had been made by all sides, but that the last moves were usually the most difficult. Delegations confirmed their commitment to continue as a matter of urgency work on the safeguards issue with the objective of reaching agreement before 15 July 1979. A number of delegations expressed the hope that in the meantime Article XIX would continue to provide discipline in this area and that there would be no unilateral changes in its interpretation.

24. Representatives of some developing countries figuring among the least-developed countries called on the developed countries, now that problems among the major trading partners appeared to have been largely settled, to give greater attention to implementing the provisions of the Tokyo Declaration relating to the developing countries and, in particular, to the least-developed countries. They urged that greater attention be given to the requests made by the least-developed countries and that provision be made concerning their specific problems in all the agreements and arrangements. Reference was also made by them to the desirability of establishing a procedure for<sup>1</sup> discussing and following up the various commitments made in their favour.<sup>1</sup>

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<sup>1</sup>See paragraph 35 below for further discussion on this point in the context of the Committee's future work programme.

25. The representative of a developing country referred to the disappointment of his country at the lack of response to the substantial contribution it had offered, involving the binding of all tariffs at a lower level. His country had hoped in exchange to receive specific benefits aside from those arising out of agreements among major trading partners. This had not proved to be the case so far. He stated that his country had devoted considerable energies to overcoming phytosanitary difficulties that had prevented exports of some agricultural products to certain markets. Just as the MTN's were being completed, a major group of developed countries had introduced a four-month prohibition on imports from his country of apples, a traditional export product of his country to those developed countries. This prohibition was, in his view, in complete contradiction to the spirit of the Tokyo Round and to the statements of satisfaction at the results made by developed countries.

26. Regret was expressed by some delegations of both developed and developing countries at the existence of alternative texts attached to the Procès-Verbal on certain issues. This situation had arisen, in the view of the representative of a developing country, from the absence of any rule on the adoption of such texts. He stated that there was a lack of clarity about what would happen if both texts were signed. The representative of a developed country stated that the GATT had traditionally provided a framework within which bilateral, plurilateral or multilateral negotiations could take place and that he was not aware of any legal impediment to two or several countries agreeing to exchange concessions within the GATT framework, provided the GATT rights of other contracting parties were not infringed. In this respect, the multilateral trading system and the GATT framework did not lend themselves to rules or procedures that might be applicable to other international conferences.

27. Some developing country delegations stated that it would be necessary to examine whether and to what extent there were areas in some of the texts resulting from the MTN that extended so much beyond the provisions of the General Agreement as to constitute amendments to the latter. The wider legal questions associated with the MTN results would have to be examined as soon as possible, particularly where they involved additional obligations for developing countries. This might constitute a priority task for the CONTRACTING PARTIES.

28. Concluding the discussion on the multilateral trade negotiations, the Chairman stated that there had been a useful exchange of views covering, among other things, those aspects of the negotiations still open, those aspects where work was completed including questions relating to participation, implementation and future action with respect to the various agreements and arrangements, and certain legal questions which were not yet resolved. He stated that the Committee would have an opportunity to consider in more detail the results of the negotiations on the basis of the analysis of the full results that the secretariat was expected to make in due course.

Future work of the Committee

29. In accordance with the decision at its thirty-sixth session, in November 1978, the Committee gave further consideration to the question of its work programme after the end of the multilateral trade negotiations. At the November 1978 session, the Committee had had before it a secretariat note, COM.TD/W/284, which reproduced the Committee's terms of reference, described the main lines of its past activities, summarized a number of issues that had been referred to at recent meetings in relation to future activities, and indicated a number of factors in relation to which the future work of the Committee might need to be considered. The comments and suggestions made at that session by a number of delegations are reflected in the Committee's Report (L/4721, paragraphs 25-30).

30. To facilitate further consideration of its future work, the Committee had before it at its thirty-seventh session a note, COM.TD/W/288 and Addendum, prepared by the secretariat, taking into account previous discussions and recent developments and outlining a number of issues that might be relevant to the future work of the Committee. The addendum to that document listed a number of points raised in the course of statements at the 11-12 April 1979 meeting of the Trade Negotiations Committee that might have a bearing on the consideration of developing country trade questions in the GATT context.

31. The representative of a developed country made a statement outlining his country's views on the Committee's future work programme; this statement is reproduced in full in document COM.TD/W/293. Among the factors that his country believed should be taken into account in considering the Committee's future work were the need to deal with measures that distorted or stifled the free flow of goods and services in both developed and developing countries, the linking of preferential treatment with development needs and the increasing integration of countries in the trade system as they developed. In this light, his country believed that the Committee should adopt a work programme to encourage trade policies and practices in both developing and developed countries that would facilitate the development of the former. Specific tasks that should be addressed by the Committee included a monitoring of all aspects of the Enabling Clause, implementation and monitoring of trade measures for economic development and more effective review of the implementation of Part IV as well as other possible review functions.

32. Many delegations stated that they considered that the secretariat note, COM.TD/W/288 and Addendum, was a useful basis for discussion. A number of delegations stated that they were in broad agreement with the list in paragraph 6 of that note of issues that the Committee might need to take up. Some delegations stated that they wished to reserve their position at this time on some of these issues. Some delegations also made the point that certain aspects might need to be considered in other GATT fora as well as in the Committee; the question of adjustment was mentioned in this context.



33. A number of delegations stated that the Committee should be strengthened as the central GATT mechanism for dealing with development questions. Some of these delegations noted that after the MTN, a number of issues of importance to developing countries would be taken up in product and subject related bodies. In the view of a number of developing countries, there would be an increased need for the Committee to review GATT activities as a whole to ensure that the interests of developing countries and the GATT rights of all contracting parties, including under the provisions of Part IV, were adequately taken into account.
34. Some delegations referred to the rôle that the Committee might have in connexion with the Enabling Clause and the various codes. One developing country delegation was of the view that the Committee should oversee and monitor the implementation of their provisions, including the effective implementation of the special and differential treatment provided for in the codes. Similarly, the Committee should ensure that the provisions of the Enabling Clause were given practical shape. One delegation stated its understanding that the primary responsibility for the application of special and differential treatment in the various agreements and arrangements would belong to the relevant managing committees. Views were also expressed by a number of developed countries on the provisions of the Enabling Clause concerning the linking of special and differential treatment with development needs and fuller participation of developing countries.
35. Representatives of some least-developed countries stated that a special body should be established by the Committee, or any other appropriate GATT body, to promote and review the implementation of the provisions of paragraph 6 of the Tokyo Declaration and the proposals made by the least-developed countries in the context of the MTN for the extension to them by all developed countries, on a unilateral and non-reciprocal basis, of duty and other barrier-free access. This body should also be open to least-developed countries which had participated in the MTN but were not GATT contracting parties. They urged that the Director-General continue his consultations on these points, and also with a view to the further implementation of paragraph 6 of the Tokyo Declaration in the remaining period of the MTN.
36. Among other matters raised by various delegations for consideration in connexion with the Committee's future work programme was the need to give further attention to improvements in the international trading framework after the end of the MTN, including the question of dispute settlement, and to examine matters flowing from decisions worked out in the MTN. Some delegations felt that these activities should include questions relating to review of the progressive assumption of obligations by developing countries. Some delegations stated that attention should be given to procedures to ensure the more effective implementation of Part IV and the possible strengthening of the commitments contained in Article XXXVII. In addition, it was suggested that

the Committee should identify the areas where developing countries continued to face particular problems of market access and other trade difficulties, and work towards their resolution.

37. Delegations generally stated that their comments at this stage were of a preliminary nature. Some delegations stated that it would be necessary to consider the Committee's future work programme in the light of the evolution of the work programme for GATT as a whole and the implementation of the MFN results, including their implications for the structure of work in GATT. Some delegations referred to the need for informal consultations on the Committee's future work programme. The suggestion was also made by some delegations that the Committee should devote a special session to this question. The hope was expressed that the services of the GATT technical assistance unit would be available to assist developing countries.

38. Concluding the discussion, the Chairman stated that there was a general appreciation of the need to reinforce the work of the Committee, and that in this connexion, some useful ideas had been put forward; the secretariat documentation had been found particularly helpful for the discussion. There was a general view that there was a need for further consideration of the matter both in informal consultations and in the Committee itself, with a view to reaching agreement on how the Committee should conduct its future work particularly in the light of the needs of the developing countries after the MFN.