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Committee on Trade and Development

PROCEEDINGS OF THE FORTY-FIRST SESSION

Prepared by the Secretariat

Introduction

1. The Committee on Trade and Development held its forty-first session on 10 July 1980, under the Chairmanship of H.E. Mr. Atmono Suryo (Indonesia).
2. The Committee adopted the agenda set out in COM.TD/W/309. This contained the following six main items, most of them relating to work initiated at the March meeting by the Committee:
 - (i) Review of implementation of Part IV; review of operation of the Enabling Clause; and future information requirements.
 - (ii) Report of the Sub-Committee on Protective Measures.
 - (iii) Review of developments in international trade.
 - (iv) Work on trade liberalization.
 - (v) Structural adjustment.
 - (vi) Special problems of the least-developed countries.

REVIEW OF IMPLEMENTATION OF PART IV AND OPERATION OF THE ENABLING CLAUSE; FUTURE INFORMATION REQUIREMENTS

3. In his introductory remarks, the Chairman said that this agenda item consisted of three parts - review of the implementation of Part IV, review of the operation of the Enabling Clause and future information requirements. Taking into account the comments and suggestions made at the last session of the Committee, the secretariat had endeavoured to summarize in document COM.TD/W/313 available information relevant to Part IV and the operation of the Enabling Clause for the purpose of the Committee's review. Section I of the paper dealt with commercial policy measures other than those taken up in the Sub-Committee on Protective Measures, which also appeared to be relevant to Part IV. Section II was concerned with matters falling under the general purview of the Enabling Clause and Section III summarized developments in other GATT bodies, covering also the implementation of the various MTN agreements. The Annex to the paper contained notes on activities in other international organizations and bodies of relevance to Part IV.

4. The Chairman suggested that the Committee might take up, in the first instance, its review of the implementation of Part IV and review of the operation of the Enabling Clause together, followed by a discussion on future information requirements. He invited delegations to offer comments or suggestions, or provide any additional information they might have available in connexion with the review of the implementation of Part IV or the operation of the Enabling Clause.

5. Delegations took note of the revised format utilized by the secretariat in the preparation of the background note for this agenda item and expressed appreciation for the detailed information contained in the note. They were of the view that future background notes by the secretariat for reviews of the implementation of Part IV and of the operation of the Enabling Clause should be prepared along similar lines.

6. Delegations of some developing countries, while expressing appreciation for the positive trade measures taken by a number of developed countries as reflected in the document, stated that there was still considerable scope for action to liberalize trade in areas of export interest to developing countries. One of these delegations said that as was evident from the secretariat paper COM.TD/W/314, which dealt with trends in international trade with particular reference to the trade and payments situation of developing countries, prospects for the world economy were not encouraging. Against this background, it was important that developed countries should continue their efforts to resist protectionist pressures and at the same time relax restrictions which were being maintained in areas of crucial importance to developing countries. In this connexion, concrete measures should be taken in the field of tariffs, under the Generalized System of Preferences and with respect to import restrictions with a view to ensuring greater access to developed country markets for exports from developing countries in a manner commensurate with the latter's development, financial and trade needs.

7. Speaking in an observer capacity, the representative of Mexico said that the European Communities had introduced changes in their GSP scheme for 1980, particularly as regards certain textile products covered by the Multifibre Arrangement. His delegation had held consultations with the Communities on this matter in accordance with the provisions of their bilateral agreement under the MFA, because it was considered that the new GSP treatment was contrary to the spirit of that agreement. In this connexion, he expressed concern at the criteria that had been adopted by the Communities for allocating GSP quotas for textiles, which his authorities considered to be arbitrary in character. In the view of his delegation, the limitations of access resulting from the adoption of these criteria were not justified. He would appreciate the opinion of contracting parties with respect to this matter having regard to the relevant provisions of the Enabling Clause.

8. The representative of the Communities said that it was evident from the secretariat background note on the implementation of Part IV, as well as from the report of the Sub-Committee on Protective Measures, that since the last review very few protective measures had been taken by developed countries against products of interest to developing countries. Referring to the point raised in relation to textile products covered by the Communities' GSP scheme, he observed that the text of paragraph 25 of the secretariat note COM.TD/W/313 was a summary and thus did not fully reflect all the aspects of the GSP scheme. He did not agree that the action taken by the Communities was contrary to commitments entered into in the framework of the MFA. In effect, the Community action had resulted in an updating of its autonomous GSP scheme with respect to textiles.

9. The representative of a developing country, while expressing appreciation for improvements which had been introduced by developed countries in their GSP schemes for the current year, said that many developing countries were still experiencing some technical difficulties with rules of origin. He expressed the hope that these rules would be further simplified with a view to permitting a better utilization of the Generalized System of Preferences by beneficiary countries.

10. With reference to paragraph 13 of COM.TD/W/313, the delegation of Japan indicated that in connexion with the general import quota applied to beef by Japan, the figures in the third and fourth lines should be revised upwards to read 53,500 tons and 116,500 tons respectively.

Future information requirements

11. The Chairman said that, as indicated in document COM.TD/W/311, the Committee at its last meeting discussed the question of future information requirements for reviews of the implementation of Part IV and the operation of the Enabling Clause. It had agreed that, with a view to adopting a co-ordinated approach and in order to avoid duplication of requests for information and submission of notifications by governments, the secretariat would seek information for these two purposes at the same time. In this respect, it had also been suggested that the secretariat prepare a detailed list of points on which information should be sought. Such a list had been put together in a draft airgram and its attachment to be found on page 3 of the secretariat note. In order to provide an overall view of the information that the secretariat might seek for reviews by the Committee, at its autumn sessions, the attachment outlined the material which might be incorporated in notifications to be provided by governments for the purpose of reviews of Part IV as well as with respect to the operation of the Enabling Clause.

12. Delegations expressed general agreement with the outline of information requirements provided in document COM.TD/W/311. However, delegations from some developed countries stressed the need to avoid unnecessary duplication of notifications made elsewhere in GATT. In their view, notifications could

be submitted on specific points which were not covered by existing notification procedures. One of these delegations said that paragraphs 2(II) and 2(V) of the attachment on page 4 of document COM.TD/W/311 could be subject to some minor modifications to bring them more into line with the provisions of paragraph 1(c) of Article XXXVII of the General Agreement.

REPORT OF THE SUB-COMMITTEE ON PROTECTIVE MEASURES

13. The Committee had before it, in document COM.TD/SCPM/1, the report of the first session of the Sub-Committee on Protective Measures, held on 1-2 July 1980. Introducing the report on behalf of the Chairman of the Sub-Committee, the Chairman of the Committee on Trade and Development recalled that the Sub-Committee had been established to examine any case of future protective action by developed countries against imports from developing countries, in accordance with the Decision of the CONTRACTING PARTIES of 28 November 1979 on this subject. That Decision also required, *inter alia*, the Sub-Committee to report to the Committee on Trade and Development and, through it, to the Council. He further recalled that the Committee on Trade and Development at its March meeting had agreed on certain guidelines for the work of the Sub-Committee, touching on such matters as notifications and sources of information, frequency of meetings, and procedures for examination and reporting. He stated that, in line with the understanding at that meeting of the Committee on Trade and Development, the Sub-Committee at its first session, in addition to examining relevant information made available to it, had given further attention to working out procedures for its activities.

14. The Chairman added that in the absence of specific notifications by delegations, the Sub-Committee had examined a number of measures referred to in a secretariat note (COM.TD/SCPM/W/1). Views had been exchanged on certain points and additional background had been provided by the countries applying the measures in relation to the reasons for the application of such measures, their trade implications, periodicity, consultation arrangements, etc. The discussion on procedures for examination had essentially focussed on the coverage of the Sub-Committee's work and on the Sub-Committee's sources of information and notification procedures. With respect to the latter, there had been a widespread view that the value of discussion in the Sub-Committee would be enhanced if countries taking measures had some advance indication from developing countries of the points that might be taken up in the Sub-Committee and a proposal had been made in this regard. As this was the first meeting of the Sub-Committee, it had been seen as important to put the Sub-Committee's work on a business-like basis and also to provide sufficient flexibility to enable developing country delegations to draw to the attention of the Sub-Committee for discussion trade actions which they felt to be protective and which were affecting their exports. It would appear that these objectives had been broadly achieved, and that at future meetings the Sub-Committee would be able to build on its initial experience.

15. The Committee on Trade and Development took note of the Sub-Committee's report, which would be forwarded to the Council, in accordance with the terms of the Decision of the CONTRACTING PARTIES of 28 November 1979 on this subject.

REVIEW OF DEVELOPMENTS IN INTERNATIONAL TRADE

16. The Committee had before it document COM.TD/W/314, Developments in International Trade Which Have a Bearing on the Trade and Payments Position of Developing Countries, prepared by the secretariat. The note contained, in its first part a summary of developments in the trade and payments position of developing countries in 1979 and, on the basis of available data, in the early months of 1980; in its second part, it examined some of the factors underlying the upheavals in the world economy and world trade in the 1970's and their impact on developing countries, as background to the discussion and understanding of current trade and payments issues. Delegations welcomed the document as providing a concise and integrated picture of the position of developing countries in international trade.

17. Delegations from some developing countries highlighted a number of the points emerging from document COM.TD/W/314. These included the decline in the share of non-oil developing countries in world trade since the middle 1960's, the deceleration in the growth of the volume of their exports since 1973 compared to the previous decade, the decline in their terms of trade, particularly in 1978 and 1979, the consequent effect on the purchasing power of their exports, and the sluggishness of direct foreign investment inflows. It was also noted that, by restraining consumption, the non-oil developing countries had been able to maintain an annual growth of 6½ per cent in their capital formation between 1973 and 1978. Particular concern was expressed about the growing current account deficits of non-oil developing countries, estimated to reach some \$70 billion in 1980, their increasing external indebtedness, and the rapidly increasing burden of debt servicing. In addition, reference was made to the difficulties that the normal channels may have in recycling sufficient funds to enable payments imbalances to be adequately financed over the coming period.

18. Delegations of a number of developing countries also emphasized the major rôle that the imports of the developing countries had played in sustaining international demand and economic activity in developed countries in recent years. It was noted in this respect that the volume of imports of machinery and transport equipment by non-oil developing countries had increased more rapidly than their domestic production, and that engineering goods had a predominant and growing share in their manufactures' imports. It was also noted that the combined trade deficit of the non-oil developing

countries in chemicals, other semi-manufactures and engineering products had increased from some \$31 billion in 1973 to nearly \$69 billion in 1978 (Table 12 of COM.TD/W/314).

19. Against this background, some of these delegations stressed the need for concerted international action to deal with the current difficulties. One delegation stated that the concluding remarks of COM.TD/W/314 brought out concisely the essential features of the trade policy aspects of the international economic problems of developing countries and stressed in particular the validity of the views expressed in paragraph 47. Another of these delegations stated that in the current situation action was required in three interrelated areas: the redirecting, as far as possible, of the increased demand in the surplus countries to the deficit countries; an increase in the rate of investment inflows into the deficit countries, to the greatest extent possible from the surplus countries; and, most importantly, the maintenance and improvement of liberal conditions of access to markets.

20. Some delegations welcomed the expression of determination by the leaders of seven major economic powers at the Venice economic summit to strengthen the international trading system and to resist pressures for protectionist action. They hoped that this stand would be fully reflected in the actual measures taken, especially in areas where developing countries were increasingly competitive. One delegation stated that another positive development was the recent conclusion of the Agreement Establishing a Common Fund for Commodities; on the other hand, he noted, with regret, the failure of the Committee of the Whole to reach agreement in New York on the agenda for the Global Negotiations to be taken up at the forthcoming special session of the General Assembly. These delegations stated that the problems of the developing countries, as analyzed and described in COM.TD/W/314, provided useful background for the work of the Committee on Trade and Development and of GATT as a whole in different areas. In this respect, they particularly emphasized the importance they attached to work on trade liberalization and structural adjustment.

21. The observer from the International Monetary Fund emphasized the damaging effects the world economy had experienced as a result of inflation, as indicated in the Fund's work in relation to the world economic outlook. He stated that during the 1960's and 1970's there had been an overall deterioration in the non-oil developing countries terms of trade, the decline in which had proceeded at an average rate of 1 to 1½ per cent per annum in the period 1962-1979. On a terms of trade basis, the cumulative loss of these countries in the seven-year period 1973-1979 was of the order of \$80 billion. He further stated that although much stress had been rightly laid on the effects of oil price increases on the import bills of developing countries, which accounted for about one fifth of the total imports of the non-oil developing countries, the current account deficits of the non-oil developing countries had also been raised considerably by the general

inflation in countries which export manufactures. Both the import prices and the export prices of the developing countries had been heavily affected by the inflationary process, but the predominant effect on current accounts had been negative because their imports were so much larger than their exports. He stated that, against this background, the non-oil developing countries were now faced with the need to make adjustments in a generally unfavourable international trading environment, reflecting the slackening of demand in the industrial countries. In real terms, the expansion of world trade would probably amount to only about 3 per cent in 1980 - not much more than one half the average rate for the three preceding years. This sluggishness was bound to intensify competition for export markets and also had implications for the efforts of many countries seeking to expand their export earnings. He suggested that the competition for available export markets could tend, in combination with rising unemployment in some of the larger industrial economies, to intensify political pressures for the application of protectionist trade policies. It was in this context that he wished to express his agreement with the analysis in document COM.TD/W/314.

22. A number of delegations from developing countries stated that the relative impact on the current international economic situation of developments in oil-exporting developing countries and elsewhere should also be taken fully into account in reviews under this agenda item and that due emphasis should be given to the harmful effects of inflationary tendencies for all countries. They also drew the attention of the Committee to the efforts being made by the oil-exporting developing countries to facilitate the recycling of surplus funds and to increase the transfer of financial resources to other developing countries. They stressed the need for a greater flow of financial resources from developed to developing countries. They suggested that the secretariat might consider covering these points in future background notes on this subject and that, in addition, a fuller coverage of economic developments in the oil-exporting developing countries, including their demand for imports of different commodities, would be desirable. Other suggestions made concerning future secretariat notes were that information on the share of developing countries' exports in the internal consumption of developed countries might be included and that the possibility of making projection estimates of major trends relating to the trade and payments position of developing countries for the following three or four-year period might be investigated.

23. The representative of a developed country stated that the problem of trade protectionism in agriculture remained a critical feature for many developing countries, as brought out by document COM.TD/W/314, and also for other countries that were highly dependent on agricultural trade. He expressed concern that, in the fairly short time since the end of the Multilateral Trade Negotiations, there had been growing evidence of pressures to further expand protectionism in the livestock sector, particularly meat,

in some major economies. He recalled that in certain other GATT bodies, his delegation had stressed the need for GATT to address itself effectively to achieving greater liberalization of world trade in agriculture, and expressed the view that the Committee on Trade and Development had an important rôle to play in contributing to that end.

24. The representative of the secretariat, commenting on certain of the points made in the course of the discussions, stated that the secretariat note had responded to suggestions regarding its coverage and presentation that had been made at earlier meetings of the Committee. In this connexion, the secretariat would examine the further suggestions made with respect to the contents of future documents on the subject. The document was designed to give a factual survey of recent developments; it did not aim to assess the responsibility of, or assign weight to, different factors. He added that the concluding remarks were limited to the implications of recent developments for trade policy, and did not discuss policy implications in other areas, such as the non-trade aspects of financing payments deficits.

WORK ON TRADE LIBERALIZATION

25. In introducing this agenda item, the Chairman recalled the four areas of special interest to developing countries identified at the previous session of the Committee as requiring priority attention in the Committee's future work on trade liberalization. These included tropical products, quantitative restrictions and other non-tariff measures, tariff escalation, and the advance implementation of MFN tariff concessions on products of interest to developing countries. The Committee had before it the following background documents provided by the secretariat:

- (a) Tokyo Round Results with respect to Requests Submitted in the Tropical Products Negotiations (COM.TD/W/310 and Add.1, as well as two annexes issued separately which provided detailed information on the post-Tokyo Round situation at the tariff line level);
- (b) Work on Trade Liberalization: Updating of Information on Quantitative Restrictions and Other Non-Tariff Measures Affecting the Trade of Developing Countries (COM.TD/W/312).
- (c) Tariff Escalation (COM.TD/W/315).
- (d) Possibilities for Advance Implementation of Tokyo Round MFN Tariff Concessions on Products of Interest to Developing Countries (COM.TD/W/316 and an annex issued separately containing certain technical information).

As agreed at the last meeting of the Committee, these documents were prepared in the light of comments and suggestions made during the Committee's discussion at that meeting and in consultation with interested delegations.

26. The Committee reviewed the background documentation on a preliminary basis and also had an exchange of views on the modalities of its further work having regard to activities taking place elsewhere in GATT.

27. Representatives from some developed countries stated that the Committee's work on trade liberalization should proceed at an appropriate speed having regard to developments elsewhere in GATT and the domestic situation of contracting parties following the Tokyo Round. Representatives from several developed countries commended the secretariat for the comprehensive documentation, which was under review in capitals. Some of these representatives pointed out that much ground had been covered during the MTN in the field of trade liberalization. Nevertheless, they felt it appropriate for the Committee to identify areas and products where further progress could realistically be made. Some other representatives of developed countries said that a sufficient period of consolidation and implementation of MTN results and of reassessment of the situation in those areas not fully dealt with was required before the initiatives that might usefully be launched could be identified. Governments and enterprises needed time to appreciate the significance of, and adapt to, MTN results.

28. Representatives of some developing countries stated that it was essential to maintain the momentum towards trade liberalization that had been built-up in the Tokyo Round. They also felt that the Committee's work in this area should be seen in the context of GATT's rôle on market access issues in the North-South dialogue and the round of global negotiations, which might also provide an appropriate time-frame for arriving at meaningful results.

Tropical products

29. With regard to tropical products, the representatives of some developing countries expressed the view that document COM.TD/W/310 and Add.1 constituted a good data base for further work. Certain delegations of developed countries noted, however, that the information had been provided without prejudice to the definition of tropical products and recalled their earlier views on this matter. A developed country delegation believed that priority should be given to the task of delineating what constituted tropical products as the premise for any further work in this area. Delegations of many developing countries stated that the Committee should now proceed to identify those tropical products subject to continuing problems of market access so that priority attention could be given to them in future work. Some of these representatives suggested that a pragmatic approach should be adopted. Interested countries could examine carefully the indicative list of tariff headings taken up in the context of tropical products at earlier GATT meetings

contained in Annex 1 of COM.TD/W/310 and propose any changes or additions they might wish for consideration. It was also suggested that with a view to establishing an agreed list of tropical products, consultations might be held among interested delegations and the secretariat before the next session of the Committee. A representative indicated that his delegation expected to submit shortly a list of tropical products of special interest to his country.

30. In connexion with further work on tropical products, many delegations of developing countries supported the points relating to further work contained in paragraph 21 of COM.TD/W/310 consisting of product identification, analysis of the relevant commercial policy and trade data and, at an appropriate stage, the examination of possibilities for further trade liberalization. Some of these delegations also stated that the question of reactivating the Special Group on Tropical Products might be considered when a specific list of products and problem areas had been identified. A representative of a developed country, recalling that the documentation had been received only recently, said that his authorities had not been able to consider the suggestions for further work contained in paragraph 21 of COM.TD/W/310.

Tariff escalation

31. With regard to tariff escalation, a number of representatives expressed the view that work in this area might proceed in co-ordination with any related work in the Committee on Tariff Concessions, bearing in mind the rôle of that Committee in dealing with technical questions arising in the post-Tokyo Round tariff situation. In this respect, certain delegations of developed countries stated that tariff escalation raised questions of a global nature and referred to the interest they also had in work in this area. Some of these representatives noted that the "harmonization" tariff-cutting formulae used in the Tokyo Round had reduced high tariff rates more significantly than low rates, and that this, as well as the GSP contributions that had been made, had contributed to the diminution of the incidence of tariff escalation in many sectors of interest to developing countries.

32. As to further work in this area, the representatives of some developing countries suggested as a first step that informal consultations among interested delegations and the secretariat should be held in order to identify product groups or problem areas to which particular attention should be paid having regard to the information contained in COM.TD/W/315. They suggested that more detailed background information might then be required from the secretariat in co-operation with delegations in respect of these areas.

Advance implementation of tariff concessions

33. On the question of advance implementation of Tokyo Round m.f.n. concessions, the representatives of a number of developing countries proposed that bilateral or plurilateral consultations might be held between interested developed and developing countries in respect of the scope and possibilities for advance implementation of concessions on particular products, having regard to the useful data and suggestions contained in the secretariat note (COM.TD/W/316 and the Annex). The representatives of some developed countries reiterated their willingness to study requests submitted by developing countries and consult with interested parties concerning possibilities for advance implementation of certain Tokyo Round concessions. The representative of one developed country suggested that it might be useful for the contracting parties to examine the significance of m.f.n. tariff reductions for developing countries taking into account the relationships of these reductions to GSP, the market share of developing countries and the competitiveness of their exports, with a view to arriving at a common understanding of the question. He stated that the approach outlined in document COM.TD/W/316 might not be an appropriate one because it implied the early taking up of further negotiations in this area, including possible bilateral negotiations. He also noted that his country had already carried out, as from 1 April 1980, tariff reductions in relation to applied rates with respect to a large number of products including some of particular interest to developing countries.

Quantitative restrictions and other non-tariff measures

34. With regard to work on quantitative restrictions and other non-tariff measures affecting products of interest to developing countries, some delegations noted that the necessary information base would become available as a result of the updating of the Inventories of Non-Tariff Measures and the Joint Working Group documentation which was under way. The representative of a developed country stated that this process was fundamental to a wide-range of GATT's activities, both within the Committee on Trade and Development and in other bodies, and he urged contracting parties to play their part to the fullest extent possible in keeping the Inventories and other documentation up to date. A number of representatives expressed their agreement with paragraph 5 of COM.TD/W/312, that when the updating of the basic documentation was completed, the secretariat might proceed, in consultation with delegations, to an identification of products of export interest to developing countries which continued to be subject to quantitative restrictions and other non-tariff measures, for consideration by the Committee.

35. Summing-up the discussion, on this agenda item the Chairman said that, with the documentation prepared by the secretariat, the Committee had taken an important step forward in its work on trade liberalization. He noted that some delegations had indicated that they had not been able, as yet, to examine the documentation fully and that a number of views had been expressed about the appropriate pace of work in this area. He considered that, in the light of the comments made in the course of the discussions, the Committee might proceed to the identification, in the different areas, of the specific trade problems affecting products of relevance to developing countries that should be taken up for detailed and priority consideration. To this end, informal consultations among delegations and the secretariat could be held before the next meeting of the Committee. In respect of quantitative restrictions and other non-tariff measures, such consultations could take place after the general process of updating information in this area in GATT was completed. He suggested that these consultations could also discuss the various suggestions that had been put forward concerning procedures for further work on the basis of the trade problems identified, and that, in any case, this was something to which the Committee would have to return at its next meeting. As regards advance implementation, he noted that some representatives of developed countries had indicated their readiness to study requests from developing countries and would be prepared to consult with interested parties on any proposals for advance implementation with respect to particular products.

36. Noting that further informal consultations would be held with respect to points arising from the secretariat documentation and the views expressed at the meeting, the representative of the secretariat stated that the aim of the background documentation had been to present as concise a picture as possible of the post-MTN situation regarding conditions of access for developing country products to the markets of developed countries. He expected that delegations would inform the secretariat of any corrections that might need to be made to the data. He further stated that, in the light of the Chairman's summing-up, the updating of the background documentation could be regarded as the first stage of a step-by-step approach towards work on trade liberalization, the next step being the identification of specific products or areas where significant problems of access facing developing country products remained and needed to be tackled, whether in the shape of quantitative restrictions, tariff escalation, or barriers affecting tropical products, followed by an examination of the elements involved with a view to determining the precise modalities for making further progress towards trade liberalization. With regard to the documentation on tariff escalation, he stated that, in essence, what the secretariat had done was to take the information contained in the Tariff Study, and add to the pre-Tokyo Round tariff averages data showing the post-Tokyo Round position. Referring to the views expressed concerning the rôle of the Committee on Tariff Concessions and the interest in work on tariff escalation of developed as well as developing countries, he felt there was no real danger of lack of co-ordination,

especially as the Committee on Trade and Development's further work was likely to be related to specific product groups or product chains identified as being problem areas of special interest to developing countries. He noted that the Committee might be able to profit from any views members of the Committee on Tariff Concessions might have regarding methodology in this area.

STRUCTURAL ADJUSTMENT

37. The Chairman stated that at the March 1980 meeting of the Committee delegations had considered two proposals with respect to work on structural adjustment: one proposal concerned the establishment of a Committee on Structural Adjustment (COM.TD/103); and the other concerned the re-activation of the Expert Group on Adjustment Assistance Measures that was put in abeyance in the early stages of the Tokyo Round, pending agreement on any more broadly based approach. At that meeting, it had also been recalled that in the GATT Work Programme adopted by the CONTRACTING PARTIES it was indicated that the Committee on Trade and Development would have a continuing rôle to play in the field of structural adjustment and, in this respect, the Consultative Group of Eighteen was expected to advise it, through the Council, on the modalities for carrying out further work in this area. The discussion on these points was summarized in paragraphs 32-38 of the Committee's proceedings at its fortieth session (COM.TD/104).

38. Representatives of a number of developed countries reiterated their view that GATT had an important rôle to play in respect of the issue of structural adjustment, particularly in terms of the linkage between structural adjustment and trade policy. They further said that the issue was not related only to trade relations between developed and developing countries, but was of a global character affecting economic relations between all countries. It should therefore be considered in a broad perspective. There was a need to identify the specific rôle of GATT in this area, especially in the light of the work of other organizations, and, in determining modalities, to look also at related work in GATT. While recognizing the continuing rôle of the Committee on Trade and Development in this area, they urged that before taking any decisions on institutional questions, the Committee should await the advice of the Consultative Group of Eighteen on how this matter should be handled. In this connexion, they referred to the complexity of the issue and the need to avoid prejudging or duplicating the deliberations of other GATT bodies.

39. Some representatives of developed countries expressed the view that it would be useful for the discussions in the Committee and elsewhere in GATT to have more factual information on the structural adjustment that had taken place in recent years. These representatives noted that one of the driving forces behind structural change was international trade and the evolving pattern of comparative advantage. They believed that allowing trade to

develop without commercial policy distortions was itself a forceful means of promoting structural adjustment of a kind which was desirable and conducive to growth. GATT had made considerable progress over the years towards liberalizing trade, and was continuing to give attention to seeking ways and means of further reducing obstacles to trade in general and to the exports of developing countries in particular, as well as to safeguarding the liberalization that had already been achieved. As regards the area of adjustment measures, these representatives felt that it was generally recognized that measures to facilitate adjustment and mitigate the possible adverse effects of the adjustment process were called for in order to promote further liberalization and avoid new exceptions to a liberal trade régime. They believed that GATT had a rôle to play in contributing to the formulation of adjustment policies in the light of changing trade patterns. As to more far-reaching forms of adjustment action, intended to pave the way for expected changes in trade patterns or even to initiate changes in production and trade patterns, it was their hope that discussion in GATT of structural adjustment could generate increased awareness in governments of the problems and issues which might arise.

40. Representatives of some developing countries referring to the need to settle the institutional question stated that the proposals for the establishment of a Committee on Structural Adjustment and for the reactivation of the Expert Group on Adjustment Assistance Measures should be seen as complementary, the latter being an interim activity that could be subsumed within the work of the Committee on Structural Adjustment following its establishment. Some of these representatives did not accept that the deliberations of the Consultative Group of Eighteen on structural adjustment should prevent agreement on the work of the Committee on Trade and Development in this area, and recalled that in the GATT Work Programme it had been noted that the Committee's rôle in this respect was of a continuing nature. The task of the Consultative Group of Eighteen was to consider the overall perspectives, whereas the Committee was better suited to more specific consideration of the issue relating to the trade interests of developing countries. It was their view that work on trade liberalization and structural adjustment should advance side-by-side and be mutually reinforcing.

41. The representative of one developed country stated that his authorities had no particular views on the institutional aspects of work on structural adjustment, but felt that it was important to agree clearly on the areas and sectors to be covered in such work. He recalled that his country had long supported serious international co-operation in respect of structural adjustment problems, particularly in the area of agriculture. For many years his country had confronted the problems created by trade protectionist measures designed to support high-cost non-economic agricultural structures, and was fully aware of the difficulties in, and length of time required for, reaching understanding and co-operation in this area.

42. In his concluding remarks, the Chairman stated that all delegations had recognized the important rôle that GATT should play in the area of structural adjustment. He noted that different views had been expressed on the institutional issues. He believed that there was general agreement among members of the Committee that the Consultative Group of Eighteen should be requested to intensify its work on this matter, and that the Committee, in the light of any inputs from the Consultative Group, should be able to decide on the way it would pursue its continuing rôle in this area before the end of 1980.

SPECIAL PROBLEMS OF THE LEAST-DEVELOPED COUNTRIES

43. The Chairman recalled the discussion on the special problems of the least-developed countries at the last session of the Committee on Trade and Development (COM.TD/104, paragraphs 39 to 44), in which a large measure of support had been expressed for a proposal to establish a Sub-Committee on Trade of Least-Developed Countries. He stated that, in the light of the views then expressed and at the invitation of the Committee, the Director-General had held consultations with interested delegations on the proposal for the establishment of a Sub-Committee, including its possible terms of reference. He further stated that it was his understanding that, as a result of these consultations, there was now general agreement on the establishment of a Sub-Committee on Trade of Least-Developed Countries and on its terms of reference, subject to the matter being reviewed by the Committee on Trade and Development at its meeting in autumn 1981.

44. In the light of the outcome of these consultations as outlined by the Chairman, the Committee on Trade and Development decided as follows:

"The Committee on Trade and Development agrees to establish a Sub-Committee on Trade of Least-Developed Countries to meet as required before meetings of the Committee on Trade and Development until the end of 1981. The Sub-Committee will have the following terms of reference:

'In the light of paragraph 6 of the Tokyo Declaration, to give special attention to the particular situation and trade problems of the least-developed among the developing countries in GATT's work programme following the Tokyo Round, including that relating to the results of the multilateral trade negotiations, and to keep under review the special treatment which could be accorded these countries in the context of any general or specific measures taken in favour of developing countries.'

"The Sub-Committee shall report on the results of its deliberations to the Committee on Trade and Development.

"Membership shall be open to all interested contracting parties to GATT. All other interested least-developed countries, and other developing countries which participated in the multilateral trade negotiations may, upon notification to the Director-General, also participate in the proceedings of the Sub-Committee."

45. The representative of Bangladesh welcomed the setting up of the Sub-Committee on Trade of Least-Developed Countries with the terms of reference and other procedures mentioned in the preceding paragraph. He thanked the representatives of the developed and developing countries whose understanding and positive attitude had finally resulted in the establishment of the Sub-Committee to serve as the forum in GATT for the discussion of trade problems facing the least-developed countries. He also thanked the Director-General of GATT whose efforts had contributed towards reaching the consensus. Many other delegations also expressed their support for the establishment of the Sub-Committee.

46. Many delegations supported a proposal that the Director-General of GATT be the Chairman of the Sub-Committee. The Committee noted, however, that further consultations were required with respect to this matter. It also noted that the Chairman of the Committee on Trade and Development would notify the decision taken in this regard following these consultations.

NEXT MEETING OF THE COMMITTEE

47. It was agreed that the next meeting of the Committee would be held shortly before the annual session of the CONTRACTING PARTIES, and that the precise date would be fixed by the Chairman in consultation with delegations and the secretariat.