

GENERAL AGREEMENT ON TARIFFS AND TRADE

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PROCEEDINGS OF THE FORTY-SEVENTH SESSION

Prepared by the secretariat

1. The Committee on Trade and Development held its forty-seventh session on 1-2 July 1982 under the chairmanship of H.E. Mr. F. Jaramillo (Colombia).
2. The Committee adopted the annotated provisional agenda outlined in document COM.TD/W/366. It decided to take up the items in the following order: review of developments in international trade; review of the implementation of Part IV and of the operation of the Enabling Clause; Sub-Committee on Trade of Least-Developed Countries; work on trade liberalization; technical assistance to developing countries; and GATT Ministerial meeting.

REVIEW OF DEVELOPMENTS IN INTERNATIONAL TRADE

3. The Committee had before it a secretariat note, document COM.TD/W/368, which examined recent developments in the trade and payments position of developing countries on the basis of latest available information, and attempted to place these developments in a longer-term perspective.
4. Representatives of a large number of developing countries stressed the grave trade and payments position of their countries, and expressed particular concern that the underlying tendency was such that further aggravation of their economic difficulties seemed likely. They noted that document COM.TD/W/368 indicated that the combined current account deficit of the oil-importing developing countries had shown a further substantial rise in 1981, despite a marked slowing-down in the growth of the volume of their imports, resulting mainly from a further deceleration in the rate of expansion of their exports, a deterioration in their terms of trade for the fourth consecutive year, and rapidly growing interest payments.
5. Representatives of a number of developing countries emphasized their disquiet about the weakness of the prices of primary commodities exported by developing countries, noting that the average price of non-fuel commodities, after falling 12.5 per cent in 1981 compared to 1980, had continued to fall in 1982, and prices of many commodities in real terms were now at a post-war low. It was suggested that future secretariat papers for this agenda item might investigate in more detail the factors influencing developing country exports of commodities, including whether there were any structural features differentiating developments in the prices of developing country commodity exports from those of developed

countries; and that the Committee on Trade and Development should pay particular attention to these questions at its next meetings. It was also suggested that the factors inhibiting the growth of exports of processed and manufactured primary products from the raw material producing developing countries might be further examined. Some of these representatives expressed the view that there appeared to be a long-term tendency towards declining terms of trade for primary product exporters, and that the GATT should address this with a view to formulating remedial measures, taking into account the objectives of Part IV as contained in Article XXXVI and also the provisions on joint action contained in Article XXXVIII. Among the points that should, in their view, be examined in this context were the relationship between market access conditions and commodity prices, and the need for financing to assist in the diversification of production.

6. Representatives of a number of developing countries referred to the problems that present levels of international indebtedness, debt servicing and interest rates were causing to their countries. It was suggested that these questions could receive greater attention in future secretariat papers. They feared that the practice of contracting further international debt to finance the servicing of existing debt rather than to finance productive investment was laying the basis for structural problems in the international trade and financial systems in the future. This could only be avoided by a strong increase in the export earnings of developing countries. It was also stated that the rise in international interest rates had severely aggravated the debt service burden of developing countries. A further adverse effect of high interest rates was on commodity markets, where the high level of interest rates had encouraged the depletion of stocks of commodities to minimum working levels.

7. Some delegations noted the growing importance of developing countries as outlets for the exports of industrial countries, accounting in the case of manufactures for an estimated 65 per cent of the increment in the value of such exports in the years 1979-1981.

8. Representatives of some developing countries said that the constraint on their ability to finance increased imports was now seriously undermining their development efforts. They noted that, as shown in document COM.TD/W/368, the rate of increase in total production in the oil-importing developing countries in 1981 had been the lowest in the post-war period. Some of these representatives referred to the import liberalization programmes their governments had undertaken in recent years with a view to improving the efficiency and flexibility of their economies and facilitating export-oriented development on the basis of their countries' comparative advantage. They said that the present unfavourable international trading and economic environment was increasing the adjustment costs of such policies and making them more and more difficult to sustain in the face of domestic pressures and external financing constraints. They expressed their agreement with the observations concerning the possible implications of the current situation for trade policy contained in paragraphs 27-31 of COM.TD/W/368, including the importance of avoiding new restrictions on, and liberalizing market access for, exports of developing countries.

9. These representatives were concerned that their countries' exporters were often facing increasing impediments to market access in major traditional markets. In their view, trade in a number of product areas such as agriculture, textiles, leather goods, etc., was being increasingly restricted not only by the use of conventional trade policy measures, but also by other means including voluntary export restraints and the dubious use of GATT and MTN code provisions in such matters as anti-dumping and countervailing duties and the use of price undertakings. They felt that existing GATT and code mechanisms did not adequately ensure the fair working of the trading system, by protecting weaker trading countries from the abuse of GATT rules by major trading countries. In regard to anti-dumping and countervailing actions, concern was expressed about the damage to trade caused by the mere initiation of investigations, even if they subsequently led to a finding of no dumping or no subsidy, and by the heavy administrative and procedural burdens placed on exporters in the course of such investigations. The representative of a developed country, sharing the general concern over abuses of GATT provisions, stressed the damage that the weakening of the multilateral GATT system, increasing bilateralism and unsatisfactory dispute settlement mechanisms could cause to both developed and developing countries. He expressed the hope that the GATT Ministerial meeting would tackle these tendencies effectively.

10. Representatives of developing countries expressed the hope that the Ministerial meeting of the CONTRACTING PARTIES would recognize the seriousness of the economic and trade problems now faced by developing countries, and the need to agree on appropriate action to alleviate these difficulties in the interests both of the developing countries and of the world economy as a whole. In this connexion, they drew attention to the growing interdependence between developed and developing countries and emphasized that an improvement in export opportunities for developing countries that enabled them to increase their imports would not only greatly facilitate the development efforts of developing countries but also improve the prospects for the export industries in the developed countries. In their view, a continuation of present tendencies would risk leading to the opposite result - a contraction of international trade with negative effects on economies in both developed and developing countries.

11. The representative of a group of developed countries said that it was also necessary to take into account the role of the oil-exporting developing countries when attempting to understand the present trade and payments situation of oil-importing developing countries. The countries on whose behalf he spoke shared the concern of developing countries about the present state of the world economy, including the economic stagnation in the industrial countries, high interest rates and weak commodity prices: they were making attempts to come out of stagnation; interest rates had been the subject of discussion at recent meetings but full agreement had not been reached; they recognized that non-fuel commodity prices were abnormally low and were supporting efforts to stabilize such prices, through the STABEX scheme, which needed, if possible, to be improved and extended to other countries, and through work in UNCTAD where greater efforts were required in this connexion. In regard to the state of the trading system, he said that responsibility for present difficulties was widespread and that all contracting parties should cooperate in efforts to reinforce the GATT. All countries benefited from the obligations accepted

by contracting parties, and all contracting parties should be prepared to accept and respect obligations consistent with their level of development.

12. The representative of a developed country said that his government was deeply concerned about the current world economic situation and the position of developing countries. However, he felt that trade barriers were sometimes over-emphasized as a cause of present problems; most developing country exports entered his country free of restrictions. In regard to anti-dumping and countervailing actions, he said that his government was obliged to respect the law in his country, and he doubted that it could or should discourage such lawful actions. He felt that tension in trade relations between developed and developing countries largely resulted from the welcome rapid growth in the volume and diversity of such trade. In his view, recent developments had underlined the value of the open trading system for developing countries, and provided no support for alternative development strategies.

13. The representative of a developing country felt that some of the information contained in the secretariat note, COM.TD/W/368, and the points made in the discussion on this agenda item would be relevant to the diagnosis of the state of the trading system that was to figure in Part One of the document to be forwarded to Ministers for the November meeting of the CONTRACTING PARTIES. He suggested therefore that the record of the Committee's discussion and document COM.TD/W/368 should be brought to the attention of the Preparatory Committee.

14. At the end of the meeting, the Chairman presented his conclusions regarding the further contribution that the Committee could make to the preparatory work for the Ministerial meeting. His conclusions in respect of the Committee's review of developments in international trade are in paragraph 62 below.

REVIEW OF IMPLEMENTATION OF PART IV AND OF OPERATION OF THE ENABLING CLAUSE

15. The Committee had before it a secretariat background note, document COM.TD/W/367, containing information on recent commercial policy measures that appeared to be relevant to Part IV, on developments with respect to differential and more favourable treatment under the Enabling Clause, and on activities in other GATT bodies and in other international organizations of relevance to Part IV. The Committee also had before it document L/5243, a report on the operation of the Bangkok Agreement submitted by the Standing Committee of that Agreement having regard to paragraph 2(c) of the Enabling Clause, and a communication from the delegation of Uruguay notifying the text of the 1980 Treaty of Montevideo establishing the Latin American Integration Association in pursuance of the Enabling Clause (L/5342).

16. A number of delegations of developed countries provided the Committee with information additional to that contained in the secretariat background note. The representative of Switzerland said that, with effect from 1 July 1982, his Government had introduced certain improvements to the Swiss GSP scheme: duty-free treatment had been extended to all industrial products from least-developed countries other than items subject to fiscal duties

and to forty-eight agricultural items from these countries; the preferential margin accorded to certain goods from the Republic of China, Hong Kong, Romania, Turkey and Yugoslavia had been increased; and preferential treatment had been extended to a number of additional items (the Swiss notification containing details of these modifications is contained in document L/4020/Add.7). The latter two sets of improvements had been made taking account of the requests made by developing countries during the GATT consultations on tropical products and in UNCTAD consultations on the GSP.

17. The representative of the United States said that on 6 January 1982 the temporary duty increase on imports into the United States of bolts, nuts and large screws of iron or steel had been terminated, and that on 30 June 1982 orderly marketing agreements with the Republic of Korea and Taiwan on colour television receivers and sub-assemblies therefor had been terminated. He also updated the information he had earlier given the Committee in regard to the United States Administration's efforts to seek from Congress a renewal of the residual tariff negotiating authority under Section 124 of the Trade Agreements Act of 1974. He indicated that, in the course of Congressional hearings on legislation on this matter that had been introduced in October 1981, two amendments had been put forward, one to prevent the use of the authority in regard to items deemed import sensitive by the President and the other to limit its validity to two years from the date of the enactment of the legislation. At present, the major unresolved issue related to the status and nature of the list of import sensitive items. The United States Administration was hopeful that the remaining difficulties would be overcome soon and the legislation enacted in the near future.

18. The representative of Japan drew the attention of the Committee to document L/5332 and explained the main features of the "Additional Measures to Open Up the Japanese Market" which the Government of Japan announced on 28 May 1982, in addition to the across-the-board MTN tariff reduction two years ahead of the Tokyo Round staging which is now underway. He stated that tariffs on 215 items would be eliminated or reduced and that the quotas on certain primary products of export interest to developing countries would also be enlarged. These measures would have a favourable bearing on trade between Japan and developing countries.

Review of implementation of Part IV

19. Representatives of some developing countries, noting the information on commercial policy developments contained in document COM.TD/W/367, expressed appreciation for the positive measures that had been taken to improve trading conditions for developing countries, including those that the Swiss and United States delegations had brought to the attention of the Committee. Reference was also made in this connexion to the measures taken by Japan to improve market access for imports into Japan, and the hope was expressed that other developed countries would follow the Japanese example, and, in so doing, would take into account the requests made during the Committee's March 1982 consultations on trade liberalization. One of these representatives suggested that Japan might make special efforts to ensure that developing countries could take full advantage of the measures it had introduced, for example by the establishment of a special window in the

Office of Trade Ombudsman to deal with difficulties experienced by developing countries, and by fully briefing trade representatives of developing countries on the measures.

20. At the same time, these representatives urged that further steps be taken to implement Part IV and improve trading conditions for developing countries, especially in view of their present critical economic difficulties. These representatives also regretted that certain negative measures of doubtful consistency with the provisions of Part IV had been taken. In this respect reference was made to certain measures listed in paragraphs 10-18 of COM.TD/W/367. In their view, there appeared to be a strengthening of protectionist tendencies as they affected the trade of developing countries. One representative considered that contracting parties finding themselves unable to give effect to the provisions of Article XXXVII:1 should report the matter to the CONTRACTING PARTIES under the provisions Article XXXVII:2(a). In his view, the Committee had a responsibility to seek further information on these measures, including on the reasons for their application and why alternative constructive remedies in terms of Article XXXVII:3(c) had not proved feasible.

21. Representatives of some developing countries expressed concern about recent measures by the United States to increase import duties and introduce import quotas on sugar, which they said followed action in a group of developed countries that had put pressure on world market sugar prices. One representative enquired whether provision was made for new suppliers in United States sugar quota allocations. The representative of Colombia expressed the serious disquiet of his Government about certain legislation currently under consideration in the United States Congress that, if enacted, would lead to an increase from 8 per cent to 24 per cent in the United States' import duty on roses. Such an increase would cause serious loss to his country's exports of this item, for which the United States was the major market. In his view, such a tariff modification would not be consistent with the Tokyo Round tariff binding on this item and with the United States' obligations under Part IV. The representative of the Republic of Korea welcomed the decision by the United States to terminate additional duties on certain canned mushrooms, but regretted that such duties on certain other canned mushrooms continued to apply. He stressed the importance of this industry to a large number of small and medium sized companies in his country as well as to many farmers, and hoped that the United States would lift the remaining measures in the near future. He reserved the right to revert to this matter if necessary.

22. The representative of Argentina indicated the concern of his authorities about certain trade measures taken for non-economic reasons by a number of contracting parties. He recalled that, in the notification to the Council on this matter, Argentina had specifically referred to certain provisions of Part IV, and had indicated its view that the measures violated these provisions as well as others in GATT. He requested that this view be taken into account in the secretariat's next background note on commercial policy measures which appear to be relevant to Part IV.

23. The representative of Thailand said that his country had recently been obliged to enter into an agreement to restrain exports of tapioca (manioc) to the European Communities at declining levels until 1986. He said that

this would damage Thailand's development prospects and aggravate existing balance-of-payments difficulties. He doubted that the measure was consistent with the principle of non-discrimination and expressed the view that such measures did not encourage developing countries to accede to the GATT. The representative of the European Communities said that the voluntary restraint agreement provided for a continuation of very substantial imports of manioc, which were a direct substitute for domestically produced cereals in certain uses; it represented a major import effort by the Community. The agreement reached with Thailand was one containing reciprocal rights and obligations in which the reduction in export quantities had been compensated for by financial aid to diversification of production in Thailand.

24. In regard to sugar, the representative of the European Communities said the sugar market had long been unstable and had experienced major price cycles before the Community had become an exporter. He said that the Community had introduced a new sugar policy, under which responsibility for financing exports had been placed on the exporters. He expected this policy to lead to a limitation of production in the Community when producers realized the cost to them of exporting when world market prices were weak. While the Community was thus taking action to deal with present difficulties, other exporters were not, in its view, doing the same: the expansion of the production of sugar substitutes was continuing uncontrolled and the level of export quotas under the International Sugar Agreement was so high as have little restrictive effect. He recalled that the Community had proposed that exporters of sugar should meet together to agree on measures to strengthen international sugar prices. The representative of a developed country said that he would not speak on the question of sugar in the Committee since it was being dealt with in other GATT bodies.

25. In response to a question concerning the import licensing of tea introduced in Switzerland, the representative of Switzerland said that, as indicated in the last sentence of paragraph 17 of COM.TD/W/367, the measure was not restrictive, licences being automatically granted. The purpose of the measure was to help enforce the accumulation by importers of obligatory reserve stocks, over and above normal commercial stocks, that could be drawn upon in case of emergency. The measure had been taken as part of a system of compulsory reserve stocking of items considered essential for consumption in Switzerland.

26. Representatives of some developing countries, commenting on experience with the implementation of Part IV since its introduction in 1965, said that there was little evidence of any positive advantages accruing to developing countries as a result of its provisions. While in a few instances the special interests of developing countries may have been taken into account, the essential trade interests of developing countries had not been helped. Some of these delegations referred to a proliferation of trade barriers of different sorts, which they said were now affecting the majority of their countries' exports. One representative, noting the importance placed by developed countries on developing countries taking steps to open their markets, said there was little incentive to do so when those developing countries that had open markets suffered as much from obstacles to their exports as other developing countries.

Review of operation of the Enabling Clause

27. Representatives of a number of developing countries expressed appreciation for the improvements made to some GSP schemes, including to the United States and Swiss schemes. However, some developing country representatives expressed concern about the tendency towards increasing differentiation in the GSP treatment accorded to different developing countries, as indicated by recent developments recorded in COM.TD/W/367 in respect of the United States and Swiss GSP schemes. In their view, the lack of objective criteria and transparency in regard to such practices made for increased uncertainty. The arbitrary withdrawal of GSP benefits could cause injury to an export industry and upset carefully designed development programmes. One representative regretted that the consultations his delegation had held with the United States on this matter had not proved satisfactory and expressed the view that withdrawals of GSP treatment appeared to be motivated more by a desire to protect domestic industries in preference-giving countries than by a desire to spread the benefits more widely among developing countries. Another representative was concerned that, whereas exclusions under the competitive need criteria in the United States scheme were generally automatic, there did not appear to be an equivalent degree of automaticity in regard to the re-inclusion of the excluded items when those criteria were no longer applicable.

28. A number of representatives of developing countries also expressed concern about the more widespread use of the concept of "graduation" in GATT as a whole, in the codes and through efforts towards the greater participation of developing countries in GATT. In their view, discrimination of this sort among developing countries was also evident in the negotiations on textiles and in the application of other restraints. They felt that the extent of the much wider gap between even the most advanced developing countries and the developed countries was tending to be overlooked. Furthermore, they recalled that the GATT did not recognize any separate category of more advanced developing countries.

29. The representative of Chile enquired why his country had not been included on the list of beneficiaries of the Polish GSP scheme. In reply, the representative of Poland said that the omission of Chile from the list was a sovereign decision of his Government taken in accordance with the GATT Decision of 1971 on the GSP and having regard to the autonomous character of the GSP. The representative of Chile expressed the hope that the Polish scheme would be brought into line with the generalized and non-discriminatory character that GSP schemes should have, as indicated in various GATT and UNCTAD decisions and resolutions.

30. The representative of a developing country regretted the decision of Canada to withdraw GSP treatment for a period of three years on Red Lake Organic Pigment (COM.TD/W/367, paragraph 23) since this item was of interest to certain developing countries.

31. The representative of the United States referred to the consultations that had been held with a number of developing countries on changes to the United States GSP scheme. He said that the present concentration of GSP benefits on four or five developing countries caused difficulties in obtaining the necessary support for the GSP within the United States;

steps of the sort that had been taken to widen the distribution of benefits among developing countries were essential for the maintenance of the programme. In regard to the competitive need criteria, he said that exclusions thereunder were statutory and not arbitrary; any decision not to reinstate a product from a country previously excluded under those criteria was only taken after strenuous and detailed investigations into the competitive position of that country in respect of that product.

32. The representative of a developing country said that a number of GATT bodies were not in his view operating in a way conducive to the implementation of Part IV and consistent with the provisions of the Enabling Clause. The GATT provisions on differential and more favourable treatment and on non-reciprocity in negotiations between developed and developing countries were not always being fully respected under the codes - for example, administrative burdens and lack of transparency were putting developing countries at a disadvantage in anti-dumping procedures, and excessive contributions were being required from developing countries wishing to join the code on government procurement. On the question of safeguards, he said that what was now required was above all political will and expressed the hope that progress would be made in the context of the Ministerial meeting. In regard to the Committee on Balance-of-Payments Restrictions, he felt that that Committee should give greater attention to what could be done to improve the balance-of-payments situation of developing countries. Turning to the work of other international fora, he regretted that many developed countries had not been more forthcoming in their support for commodity stabilization arrangements and had generally resisted the extension of such arrangements to additional commodities, including jute, hard fibres and cotton. He was of the view that GATT also had a responsibility in this area. A number of representatives of other developing countries shared these concerns in regard to commodity arrangements and also regretted the lack of progress in regard to a global STABEX-type arrangement.

33. The representative of Uruguay recalled that at the forty-fourth session of the Committee held on 22 July 1981 his delegation, speaking on behalf of countries that were GATT contracting parties and signatories of the Montevideo Treaty of 1980 creating the Latin American Integration Association, had informed the Committee on Trade and Development that on 26 March 1981 the Montevideo Treaty had entered into force. He said that instruments of ratification had now been deposited by all these signatory countries. Having regard to the provisions of the 1979 Decision of the CONTRACTING PARTIES on Differential and More Favourable Treatment, Reciprocity and the Fuller Participation of Developing Countries, these countries had notified the Treaty to the CONTRACTING PARTIES in document L/5342.

34. The Committee took note of the report on the operation of the Bangkok Agreement, document L/5243, and agreed to revert to the notification of the text of the Latin American Integration Association, document L/5342, at its next meeting.

Proposals in regard to Part IV, the Enabling Clause and the GSP for consideration by the GATT Ministerial meeting

35. Representatives of some developing countries said that their experience with the application of Part IV indicated the need for a strong reaffirmation by Ministers of their countries' commitment to strict adherence to the provisions of Part IV, including to the respect by developed countries of the obligations they had entered into under Article XXXVII. In addition, these representatives expected that the Ministerial meeting would take concrete decisions to further the implementation of Part IV on such matters as trade liberalization in areas of special interest to developing countries.

36. They felt that the Ministers should also recognize that Part IV had not been adequately implemented in the past and that improved procedures for the review of its implementation might be required. They proposed that the Ministers should decide to instruct the Committee on Trade and Development to undertake a full review of the extent to which Part IV had been implemented and of the reasons why fuller implementation had not taken place. Such a review should lead to recommendations on ways of improving the mechanisms for surveillance of the implementation of Part IV and on concrete steps for furthering the implementation of Part IV. The details of the proposal put forward by these delegations can be found in Annex 1(d). One suggestion made in this context was for a committee of the type that presently deals with balance-of-payments restrictions to undertake periodic consultations with individual developed countries or groups of developed countries.

37. In regard to the Enabling Clause, representatives of some developing countries said that experience with its operation had revealed a number of issues that should be examined by Ministers, including the need for greater use of the consultation provisions in its paragraph 4 and problems of lack of transparency and objectivity in regard to GSP modifications. They suggested that the Ministers should decide on an in-depth review of the operation of the Enabling Clause, with a view to making appropriate recommendations. They also felt that greater use could be made of the provisions of the Enabling Clause on differential and more favourable treatment as a way of facilitating the accession of further developing countries to the MTN codes. The text of their proposal on the Enabling Clause is contained in Annex 1(e).

38. Delegations of some developing countries suggested that the Ministers should decide on the further expansion and improvement of GSP schemes. In their view, there was considerable scope for action in terms of increasing product coverage and the depth of concessions, removing limitations on preferential access, increasing the predictability of preferential treatment, and improving certain operational aspects including taking further steps to increase utilization.

39. The representative of a group of developed countries said that he would examine the proposals put forward. He stressed that progress would depend on a proper balance of rights and obligations, in which those developing countries in a position to accept certain obligations did so. In regard to the proposal concerning the codes, he expressed the view that

the present obligations were not too onerous for most developing countries, although some attention might need to be given to the problems of the weakest countries.

40. The Chairman's conclusions on the discussion on the implementation of Part IV and the operation of the Enabling Clause as it related to the further contribution that the Committee could make to the preparatory work for the Ministerial meeting is contained in paragraphs 63-66 below.

SUB-COMMITTEE ON TRADE OF LEAST-DEVELOPED COUNTRIES

41. The Committee had before it the record of the proceedings of the third meeting of the Sub-Committee, held on 15 June 1982 (COM.TD/LLDC/3). The Chairman of the Sub-Committee, H.E. Mr. H. Ewerlof (Sweden), presented an oral report to the Committee in regard to the work of the Sub-Committee at this session. He observed that delegations had expressed their sympathy and concern for the grave economic and trade difficulties currently being encountered by least-developed countries. Many delegations had recognized that further means were needed to facilitate the expansion and diversification of the foreign trade of least-developed countries. Delegations of least-developed countries had emphasized the crucial role that trade could play in accelerating economic development in their countries. He recalled the suggestions on elements that might be included in a decision by Ministers, for consideration as part of the preparatory work for the Ministerial meeting, that he had made, under his own responsibility, in the light of the discussions at the meeting. These suggestions are reproduced in Annex 2 of this note.

42. Many developed and developing countries reiterated their sympathy and concern for the particularly grave difficulties faced by the least-developed countries which had been further underscored in the secretariat note on Developments in International Trade Which Have a Bearing on the Trade and Payments Position of Developing Countries (COM.TD/W/368), and expressed support for the substance of the proposals by the Chairman of the Sub-Committee. Some countries, however, expressed reservations on the proposal in regard to rules of origin. The representative of a group of developed countries questioned whether the least-developed countries had real problems deriving from rules of origin and noted that no such difficulties had been raised in the recent meeting of the Sub-Committee. Some delegations suggested that any problems experienced by the least-developed countries in this regard could be examined with a view to considering whether further simplification of the rules of origin, at a general level, or technical assistance to the least-developed countries would be the appropriate way of dealing with them. It was also suggested that it might be possible to design suitable safeguards to meet the concerns of those countries which had reservations on this matter.

43. The representative of a group of developed countries said that he expected that further efforts towards duty-free treatment for imports from least-developed countries (point (a) of the proposals) in which this group of countries might be able to join would be generalized among all GSP donor countries. He also expressed the hope that the more advanced developing countries would be prepared to take initiatives in favour of the

least-developed countries. Representatives of a number of developing countries outlined the efforts they were already making in their regional contexts to assist least-developed countries. They also indicated that special treatment was being given to such countries in the context of global preferential arrangements and that the principle of more favourable treatment to the least-developed countries had been accepted in the context of discussions on further such arrangements among developing countries.

44. The representative of a developed country said that, while he generally supported the proposals, his country would have to bear in mind the interests of neighbouring island developing countries which were at a very low stage of development and suffered special problems as a result of their geographical remoteness.

45. The conclusions drawn by the Chairman of the Committee on Trade and Development on this discussion as it related to the further contribution that the Committee could make to the preparatory work for the Ministerial meeting can be found in paragraph 67 below.

WORK ON TRADE LIBERALIZATION

46. A number of delegations recalled that at the April 1982 session of the Committee the Chairman had been able to sum up the discussion on the programme of consultations on tropical products and quantitative restrictions that had been held in March 1982 (COM.TD/110, Annex) by noting the agreement in the Committee that there was scope for further work, with a view to seeking means of further liberalizing trade in products of interest to developing countries. They further recalled that the Committee had agreed that the Ministerial meeting of the CONTRACTING PARTIES presented an opportunity for the consideration of specific measures of trade liberalization and of appropriate modalities for carrying forward the unfinished process of liberalization in this area, and that the Committee could carry out preparatory work to this end, with a view to facilitating decisions by Ministers.

Tropical products

47. Representatives of some developing countries proposed the establishment by the Ministerial meeting of a Programme for Further Liberalization of Trade in Tropical Products. They felt that, having regard to the provisions of Part IV and of the 1979 GATT work programme, the extensive documentation available, and the detailed preparatory work undertaken by the Committee, the time was now ripe for such an initiative, especially in view of the very difficult present trade and payments position of developing countries, in particular those dependent on exports of primary products. They envisaged the programme as covering, as appropriate, consultations and negotiations aimed at eliminating or reducing existing tariff and non-tariff measures affecting trade in tropical products, particularly in their semi-processed and processed forms, and a standstill on fiscal measures, including both specific and ad valorem tax rates. The Committee on Trade and Development should be responsible for establishing appropriate modalities for this purpose, and the CONTRACTING PARTIES would review progress achieved in this context at their regular session at the end of 1983. A developing country delegation

said that it was his understanding that tropical products that were considered competitive with temperate zone products would be included in the scope of this work. The details of this proposal can be found in Annex 1(a) of this note.

48. The representative of a developed country said that he could support the idea of the establishment by the Ministers of a programme for further liberalization of trade in tropical products, with a view to finding mutually satisfactory ways of liberalizing trade in those products. He felt that references to negotiations in this context were premature and would need to be examined in the light of the package that was to go forward to the Ministers. The representative of a group of developed countries said his authorities would examine the requests made on tropical products during the course of the consultations held in March 1982 with a view to seeing how they could be met in the context of the annual reviews of the GSP scheme of this group of countries. Given the timing of these reviews, he felt that the 1983 date proposed for a review by the CONTRACTING PARTIES of progress on tropical products might prove too ambitious.

Quantitative restrictions

49. Delegations of a number of developing countries expressed their concern about the continuing problem of quantitative restrictions inconsistent with the provisions of the General Agreement which was seriously upsetting the balance of rights and obligations under the GATT. Effective and definitive action in this area could reinforce confidence in the trading system and in the GATT. In their view, the opportunity presented by the Ministerial meeting must be seized and a concrete decision taken for the elimination of all quantitative restrictions inconsistent with GATT and for a standstill and progressive liberalization in respect of other quantitative restrictions in accordance with the commitments in Part IV. In this connexion, these delegations recalled and reiterated their support for the proposals made by the delegation of Turkey during the plurilateral consultations held by the Committee in March 1982. Some of these delegations expressed the view that present institutional arrangements in GATT were not adequate for ensuring the effective and active surveillance of quantitative restrictions and the examination of their GATT justification, with a view to determining their status and making appropriate recommendations. They proposed that a permanent group or committee should be established with responsibility for this work, with particular attention to restrictions affecting the trade of developing countries. It was also suggested by some delegations that the Committee on Balance-of-Payments Restrictions could be transformed into a committee on quantitative restrictions for this purpose. Details of the proposals made by these delegations can be found in Annex 1(b) of this note.

50. The representative of a developed country said that his delegation agreed with the basic concepts underlying these proposals. He considered that the proposal in regard to the standstill on new tariffs and non-tariff measures should be implemented on a global basis, with priority to products of interest to developing countries. He felt that this observation also applied to point (c) of the suggestions put forward by the Chairman of the Sub-Committee on Trade of Least-Developed Countries; a commitment to a

winding-down of levels of protection and assistance should apply to all sectors and all measures, although priority could be given in this process to products of particular export interest to the least-developed countries. He said that these points were two of the principal elements of an initiative aimed at establishing the conditions for global economic recovery that his delegation had put before the Preparatory Committee. The reasoning behind this initiative had been further elaborated by the Deputy Prime Minister of his country, who was also Minister for Trade and Resources, in an address of 30 June 1982 - copies of which he made available to members of the Committee. The representative of another developed country said that he generally supported the proposals made by developing country delegations emphasizing that quantitative restrictions should be eliminated on a global basis.

51. The representative of a group of developed countries observed that the problem of quantitative restrictions was one of long-standing. He doubted that it was realistic to expect a decision by Ministers on the immediate elimination of all residual restrictions. The representative of another developed country said that the quantitative restrictions employed by his country were an integral part of its agricultural policy and essential for ensuring a minimum degree of self-sufficiency; they were fully justified under the GATT and were not negotiable. The representative of yet another developed country said that he felt that the question of quantitative restrictions was one of interest to developed as well as to developing countries, and could more appropriately be taken up in another forum.

Tariff escalation

52. The Committee had before it, in document COM.TD/W/361 - TAR/W/26, a secretariat pilot study on tariff escalation, dealing with the copper producing and copper consuming industries. The Committee also had before it a secretariat note, COM.TD/W/369 - TAR/W/29, elaborating on the methodological and practical difficulties encountered in attempting to measure tariff escalation in the copper industry. A number of delegations said that they would wish to revert to these studies at the next meeting of the Committee.

53. Delegations of a number of developing countries said that, while they were aware of the work that was being done on the problem of tariff escalation on a global basis, and of the communication on this question from the Chairman of the Committee on Tariff Concessions to the Preparatory Committee, it was imperative that the particular importance and priority attached to this question by the developing countries, which were for the most part exporters of primary commodities and raw materials in their semi-processed or processed forms, and therefore most affected by this problem, should be brought to the attention of the Preparatory Committee. These delegations recalled and expressed their support for the proposal that had been made by the delegations of Brazil and India to the Preparatory Committee (PREP.COM/W/6), the operational part of which is reproduced in Annex 1(c) of this document.

54. The conclusions drawn by the Chairman on the further contribution that the Committee could make to the Preparatory work for the Ministerial meeting in regard to tropical products, quantitative restrictions and tariff escalation can be found in paragraphs 63-66 below.

TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES

55. A number of developing countries delegations expressed appreciation for the technical assistance provided to them by the secretariat, and emphasized the need for the strengthening and expansion of the technical assistance programme of the secretariat, including training courses, national and regional seminars, technical assistance missions to member countries, and assistance to developing country permanent missions at Geneva. They urged that the necessary budgetary resources be made available. Some of these delegations stressed the role that technical assistance could play in helping them assess the implications for their countries of code membership and deal with any consequent policy adjustments that might be required. Several of these delegations recalled the proposal for a regular commercial policy course in Spanish; the need to increase the number of participants in courses in general and the frequency of such courses was also mentioned. Some delegations emphasized the particular importance that they attached to technical assistance to meet the requirements of the least-developed countries. Reference was also made to the importance of supporting and strengthening the work of the International Trade Centre in the field of product development and trade promotion.

56. Representatives of some developed countries expressed their general support for the reinforcement of GATT technical assistance activities and hoped that the Ministers would take a decision to this effect. Some of these delegations noted that the budgetary implications of an expanded programme would need to be addressed. Some of these delegations also referred to their proposal concerning increased support for the International Trade Centre that they had put forward in the Preparatory Committee.

57. The Chairman's conclusions on this discussion can be found in paragraph 68 below.

GATT MINISTERIAL MEETING

58. The Chairman noted that some of the discussion that had taken place under the other agenda items was also relevant to the consideration of this item.

59. The representative of a developed country said that he had noted with interest the proposals made by developing countries for Ministerial action. While he saw much to commend in some of those proposals, he was not in a position at this stage to comment in detail on the shape of decisions to be presented to Ministers. However, he felt that the discussions had revealed a convergence of views on certain issues that could be brought forward by the Committee for consideration by Ministers - trade liberalization, Part IV, technical assistance and least-developed countries. Referring to some of the proposals on trade liberalization for a process of consultations and

negotiations, he noted that his delegation saw negotiations as involving contributions from both sides. His delegation believed that the Ministers might take a decision to improve market access in trade between developed and developing countries. His delegation also believed that the Preparatory Committee should consider the possibility of a decision to request the Committee on Trade and Development to review the operation of Part IV and of the Enabling Clause. In addition, his delegation thought that consideration should be given to a decision to explore opportunities for greater co-operation between GATT and the international financial institutions in order to promote trade liberalization among all countries while enhancing economic development. Although his delegation was of the view that present working level contacts between GATT and these organizations were excellent, consideration might be given to a greater integration and co-ordination of the policies developed by these organizations as part of their activities. In regard to the codes and quantitative restrictions, he said that while he saw merit in some aspects of the proposals made, these matters required consideration from a more global point of view and should be dealt with elsewhere in the preparatory process.

60. The representative of a developed country, recalling the broad aims of the Ministerial meeting, said that his delegation was of the view that one of the purposes of the meeting should be to improve trade opportunities for developing countries, bearing in mind the efforts of the recent past, including the MTN results and under the GSP, and also the present difficult economic situation. In so doing, an appropriate balance of rights and obligations would need to be preserved. His delegation was not in a position to comment in detail on the proposals at the present stage. However, he emphasized that some of the issues concerned were of great relevance to the interests to his country; these he would wish to see treated on a more global basis.

CHAIRMAN'S CONCLUSIONS ON THE COMMITTEE'S FURTHER
CONTRIBUTION TO THE PREPARATIONS FOR THE
MINISTERIAL MEETING:

61. "The Committee carried out an examination of issues that might need to be taken up by the meeting of the CONTRACTING PARTIES at Ministerial level in November of this year. The discussions on these issues will appear in the secretariat note on the proceedings of this session, under the individual items of the Agenda.

62. "The Committee's review of developments in international trade highlighted the present critical trade and payments position of many developing countries. The Committee had before it a secretariat background note prepared for this review which focuses attention on the continuing increase in the combined current account deficit of developing countries, related to the further deceleration in the growth of their exports, the deterioration in the terms of their trade and rapidly growing interest payments. In the course of this review, attention was also drawn to the difficulties faced by many developing countries due to instability of commodity export prices. It was suggested that document COM.TD/W/368 and the record of the discussion in the Committee on this matter could assist in the drafting of the political declaration for consideration by Ministers

(Part I of the Final Product), and should therefore be brought to the attention of the Preparatory Committee.

63. "A number of specific proposals were made on tropical products, quantitative restrictions, tariff escalation, Part IV and the Enabling Clause, and the GSP. These proposals covered the following main points:

- (a) Tropical Products: agreement on further work, with a view to seeking means of further liberalizing trade in tropical products, particularly in their processed and semi-processed forms, through consultations and negotiations, according to terms and modalities to be established by the Committee on Trade and Development;
- (b) Quantitative Restrictions: decision regarding elimination of quantitative restrictions inconsistent with GATT as well as standstill and liberalization of other restrictions; the examination of all quantitative restrictions in a group or committee with particular reference to the interests of developing countries;
- (c) Tariff Escalation: recognition of the importance of the problem of tariff escalation particularly in regard to the trade of developing countries; decision to eliminate/substantially reduce escalation of tariffs on products with increased processing;
- (d) Part IV and the Enabling Clause: a review by the Committee on Trade and Development of the application and implementation of Part IV, including existing surveillance procedures, as well as of the operation of the Enabling Clause, in terms of its paragraph 9; also an examination by the committees of the various MTN codes, in conjunction with interested non-member developing countries, of possibilities for facilitating their accession to the codes, bearing in mind the provisions of paragraph 2(b) of the Enabling Clause;
- (e) GSP: further expansion and improvement of GSP schemes.

64. "A large number of delegations supported the adoption of these proposals by Ministers and urged the need for early progress in these matters. Other delegations, while recognizing the need for further work and reflexion in these areas, expressed certain reservations, and indicated that these proposals required closer examination and further discussion before they could be adopted for consideration by Ministers. Certain delegations made specific comments and suggestions on different aspects of some of the proposals. Some questions were raised as to whether the stage had been reached for negotiations on some of these matters.

65. "In relation to tropical products and quantitative restrictions, it was recalled that at the April session of the Committee the Chairman had been able to sum-up (COM.TD/110, Annex) by noting the agreement in the Committee that there was scope for further work, with a view to seeking means of further liberalizing trade in products of interest to developing countries. It was also recalled that the Committee had agreed that the Ministerial meeting of the CONTRACTING PARTIES presented an opportunity for

the consideration of specific measures of trade liberalization and of appropriate modalities for carrying forward the unfinished process of liberalization in this area; and that the Committee could carry out preparatory work to this end, with a view to facilitating decisions by Ministers. In regard to tariff escalation, the Committee noted the communication of the Chairman of the Committee on Tariff Concessions to the Preparatory Committee (TAR/57) to the effect that there was a widespread belief among members of the Committee on Tariff Concessions that tariff escalation was a factor inhibiting international trade, and suggesting that Ministers therefore could express appreciation for the problem and endorse further work, including the examination of possible means for reducing such escalation.

66. "It was agreed that further discussions should be held on the above matters with a view to reaching consensus. All views expressed in the course of the discussions in the Committee will be recorded in the note on the proceedings of this session.

67. "There was widespread support in the Committee for the substance of the suggestions made by the Chairman of the Sub-Committee on Trade of Least-Developed Countries for Ministerial decisions in regard to action on further improvements in m.f.n. or GSP treatment for exports from least-developed countries, the elimination or reduction of non-tariff measures affecting products of particular export interest to them, greater flexibility for their participation in MTN agreements, strengthening GATT secretariat technical assistance to them, strengthening trade promotion activities and strengthening the role of the Sub-Committee on Trade of Least-Developed Countries. There was also some support for the proposal regarding greater flexibility in rules of origin applied to products of export interest to least-developed countries, with respect to which, however, certain delegations had reservations. It was suggested that problems for least-developed countries in this area could be examined with a view to considering whether the simplification of origin rules or technical assistance would be the appropriate way of dealing with them. The proposals by the Chairman of the Sub-Committee will be reproduced in an annex to the note on proceedings.

68. "There was general agreement in the Committee that Ministers be requested to endorse a strengthening of the technical cooperation programme of the secretariat, covering training courses and other technical assistance activities, with a view to ensuring that it meets more adequately the current and prospective requirements of developing countries related to their participation in the GATT trading system. In this connexion, the proposal for a regular commercial policy course in Spanish was recalled. It was noted that the budgetary implications of such an expanded programme would need to be addressed.

69. "It was agreed that the note on the proceedings of the session be forwarded to the Preparatory Committee as a further contribution of the Committee on Trade and Development to the work of that body.

70. "The proposals referred to above will appear in annexes to the note on the proceedings."

OTHER MATTERS

71. The Chairman invited the attention of delegations to GATT/AIR/1836 in regard to the meeting of the Sub-Committee on Protective Measures, scheduled for 28 and 29 September, and to the request in its paragraph 3 that notifications by developed countries and reverse notifications by developing countries of measures for examination at that meeting be submitted to the secretariat before 6 August. He underlined the importance of the effective functioning of these notification procedures for the work of the Sub-Committee.

72. On a proposal from developing countries, the Committee decided to derestrict the note by the secretariat on Developments in International Trade Which Have a Bearing on the Trade and Payments Position of Developing Countries (COM.TD/W/368), so that its findings in regard to the serious situation faced by most developing countries could receive more widespread attention.

NEXT MEETING OF THE COMMITTEE

73. The Committee agreed that its next meeting would be held in the autumn, before the Ministerial Session of the CONTRACTING PARTIES, the date being determined by the Chairman in consultation with delegations and the secretariat.

ANNEX 1

Proposals by a number of developing country delegations
for consideration by the Ministerial Meeting

(a) Tropical Products

- (i) The Ministers recognize the importance of trade in tropical products to developing countries. While expressing their appreciation for the progress achieved in eliminating and reducing barriers to such trade in previous rounds of trade negotiations in GATT, including the Tokyo Round, they recognize the need to seek further liberalization of conditions of access to markets for tropical products, particularly in their processed and semi-processed forms, taking into account the interests of all producers. In this respect, they take note of the results of the recent series of informal consultations on tropical products, held under the Committee on Trade and Development, in March 1982, including requests made by developing exporting countries for further reduction or elimination of barriers to trade of specific products.
- (ii) Accordingly, the Ministers decide to establish a Programme for Further Liberalization of Trade in Tropical Products covering, as appropriate, consultations and negotiations aimed at eliminating or reducing existing tariff and non-tariff measures affecting trade in tropical products. They agree that the Committee on Trade and Development should be responsible for establishing appropriate modalities for this purpose.
- (iii) Recalling further the undertaking in Part IV on internal taxes of a selective nature, the Ministers also urge that the standstill on fiscal measures should apply to both specific and ad valorem tax rates presently applicable to tropical products covered by the undertaking.
- (iv) Ministers request the CONTRACTING PARTIES to review progress achieved in relation to trade measures affecting tropical products at their regular session at the end of [1984].

(b) Quantitative Restrictions

- (i) Elimination of all quantitative restrictions inconsistent with the provisions of the General Agreement.
- (ii) Indication of a time-frame for the phasing-out of remaining restrictions, priority being given to restrictions affecting exports of developing countries.

- (iii) Standstill on new tariff and non-tariff barriers against exports, with priority to exports of developing countries.
- (iv) Until and during the phasing-out of the remaining restrictions, action should be taken with regard to the following:
 - (a) Progressive enlargement of quotas in favour of developing countries.
 - (b) Adoption of measures to ensure the full utilization of quotas.
 - (c) Removal of discriminatory aspects of quantitative restrictions.

The suggestion was also made by some delegations that the Balance-of-Payments Committee would be given the responsibility of carrying out consultations on all types of quantitative restrictions.

(c) Tariff Escalation

Tariff escalation stands out as a major problem requiring of the Ministerial meeting a decision to eliminate/substantially reduce the escalation of tariffs on products with increased processing. To this end the necessary studies should be completed expeditiously and intensive work followed up so as to have such barriers to trade as result from the application of escalation promptly eliminated (document PREP.COM/W/6).

(d) Part IV

- (i) Ministers, reaffirming their commitment to the fullest implementation of the objectives and provisions of Part IV, decide to instruct the Committee on Trade and Development to carry out a detailed review of the extent of application and implementation by governments of Part IV since its inception, as well as an examination of ways to improve procedures for reviewing actions under Part IV and for dealing with problems relating to the application of its provisions.
- (ii) They request the Committee on Trade and Development to submit appropriate guidelines to further the implementation of Part IV and the liberalization of trade in favour of developing countries to the regular session of the CONTRACTING PARTIES in 1983.

(e) Enabling Clause

- (i) Ministers, emphasizing the importance they attach to the full use of the consultation provisions in paragraph 4 as a framework for dealing with any specific difficulties that arise in the application of differential and more favourable treatment, especially GSP treatment, agree that wherever possible these provisions should provide an opportunity for ex ante, as well as ex post, consultations on modifications to such treatment.
- (ii) In regard to modifications of GSP treatment, Ministers affirm the importance they attach to transparency and objectivity with regard to such modifications.
- (iii) Accordingly, they request the Committee on Trade and Development to carry out an in-depth review of the operation of the Enabling Clause, including an examination of the matters referred to in (a) and (b) above, with a view to making appropriate recommendations.
- (iv) Having regard to the framework provided by the Enabling Clause and in particular paragraph 2(b) thereof, Ministers invite the managing committees of the various MTN codes to examine, in conjunction with interested non-member developing countries, the reasons why more developing countries are not joining the codes, and whether the clarification of existing provisions on differential and more favourable treatment for developing countries, or the further elaboration of such provisions, might be an appropriate way of overcoming any problems identified in this connexion.

ANNEX 2

Suggestions made by the Chairman of the Sub-Committee on Trade of Least-Developed Countries on elements in regard to the least-developed countries that might be included in a decision by Ministers

- (a) Further improvements in m.f.n. or GSP treatment for exports from least-developed countries, with the objective of providing duty-free access to products of particular export interest to least-developed countries.
- (b) The adoption of more flexible requirements for rules of origin for products of particular export interest to least-developed countries.
- (c) Elimination or reduction of non-tariff measures affecting products of particular export interest to least-developed countries; greater flexibility for the participation of least-developed countries in MTN agreements.
- (d) Strengthening of the technical assistance facilities of the GATT secretariat targeted to the special requirements of least-developed countries.
- (e) Strengthening of trade promotion activities, through the ITC and other initiatives, such as the establishment of import promotion offices in importing countries.
- (f) Strengthening of the role of the Sub-Committee on Trade of Least-Developed Countries in the discussion and examination of policy issues of interest to least-developed countries in the context of further efforts to liberalize trade.