

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

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## THE OPERATION OF PART IV OF THE GENERAL AGREEMENT

### Statements by Governments

At its thirteenth session the Committee discussed the arrangements to be made for carrying out a detailed examination of the difficulties encountered in the implementation of Part IV and for recommending measures to secure more effective and systematic implementation. To serve as a basis for this examination contracting parties were invited to submit statements of the difficulties that they consider the contracting parties have encountered in this regard as well as suggestions on how to ensure more satisfactory and effective operation of Part IV provisions. To date such statements have been received from Ceylon, Peru and Switzerland and these are reproduced below. Statements received hereafter will be issued as addenda to this document.

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CEYLON

1. The number of items which have been brought under the Open General Licence now stands at 356 BTN items and progressively the coverage of items under Open General Licence which cover mainly capital goods and raw materials essential for the country's development will be increased. This liberalization in our imports will promote the expansion of our trade, both with the developed countries as well as with the less-developed countries who are exporters of the items covered in the liberalization programme. This is in accordance with Part IV of the GATT which seeks to promote trade of the less-developed countries in particular.
2. As regards the principle of non-reciprocity in trade negotiations between the developed and the less-developed countries, despite the proviso set out in Article XXXVII: (to the effect that developed contracting parties shall act only to the fullest extent possible, i.e. "except when compelling reasons which may include legal reasons, make it impossible") we along with other less-developed countries take the position that paragraph 8 of Article XXXVI (that the developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties) is the fundamental provision of Part IV of the GATT and that developed contracting parties cannot expect reciprocity in trade negotiations with less-developed countries.
3. Although Part IV of the GATT is directed to seek ways and means of expanding the export earnings of the less-developed countries, our view is that the objectives spelled out in Part IV have not been achieved. Although the Kennedy Round achieved some favourable results, the advantages resulting from tariff liberalization were weighted towards the developed countries while the advantages accruing to the less-developed countries were limited. We think that the possible areas of further action should be concentrated on the reduction of high tariffs which still exist on the products of interest to less-developed countries, the elimination of low tariffs and the problem of differential duties between raw materials and semi-manufactured and manufactured products.
4. There is also the problem of quantitative restrictions which remains more or less intact. Although the removal of the internal fiscal charges on tropical products was considered as a matter falling within the purview of the Kennedy Round, we could not get the developed countries to enter into the negotiation on the removal of these internal fiscal charges. These internal taxes were, in a number of cases so high that, combined with the various charges for distribution, they have inhibited consumption and affected the trade of less-developed countries which are exporters of these products. One product of particular interest to Ceylon is tea on which very high internal taxes are maintained by some members of the European Economic Community. In regard to tea, we also face the quota restrictions maintained by Japan.

5. At the meeting of the twenty-fifth session of GATT, the New Zealand delegation came forward with a proposal for setting up target dates for the removal of residual restrictions applied illegally and contrary to the rules of GATT by contracting parties. We strongly support this proposal because we think it is quite anomalous that countries applying restrictions fully justified under GATT had to submit to examination and consultation while other contracting parties applying restrictions inconsistently with GATT were treated more tolerantly. The proposal submitted by New Zealand to set target dates for the removal of residual restrictions is fully in accord with the principles of Part IV.

6. We also think that the proposal to strengthen the Special Group on Trade in Tropical Products is a step in the right direction. The recommendation of the thirteenth session of the Committee on Trade and Development to consider the initiation of negotiations by the Special Group on Trade in Tropical Products on certain vegetable oils and oilseeds should, however, we think, be proceeded with in close consultation with the Joint UNCTAD/FAO Study Group on Oilseeds, Oils and Fats which is the specialist body dealing with the particular question of the problems connected with the trade in this group of commodities. We subscribe to the general principle that international action in the field of commodity trade must proceed on a commodity-by-commodity basis.

7. Action being taken by less-developed countries to negotiate for the expansion of trade among themselves is also part of the programme for the implementation of Part IV. Our view as regards these negotiations is that regional arrangements among groups of developing countries can be beneficial for the liberalization of trade. Liberalization could take place through preferential duties, the reduction of existing barriers to trade by way of the removal of quantitative and other similar restrictions and bilateral or multi-lateral trade concessions. We think the more sophisticated and comprehensive arrangements involving integrated customs unions or common markets might still be premature for a number of developing countries on account of the differences in their levels of development.

8. Although the request lists so far submitted by a number of less-developed countries include primary commodities, we think that preferential arrangements directed to seeking tariff concessions for primary products have limited scope because the more serious limitation is the quantitative restrictions among them. The less-developed countries, should, we think, focus their attention primarily on the removal of non-tariff barriers on primary products, such as quotas and other similar restrictions which impede the expansion of trade in these products.

9. We think that preferential arrangements among less-developed countries appear to be more practicable for the immediate future whereby the developing countries would accord preferential treatment to other developing countries on specified imports of manufactures and semi-manufactures.

PERU

1. The Committee on Trade and Development has been examining the implementation of Part IV, principally on the basis of the procedure adopted on 25 March 1965, that is by examining regular reports by the secretariat and the notifications on measures introduced by developed countries in pursuance of Part IV.

2. The examination of these reports and notifications by the Committee at its thirteen sessions from 1965 to 1969, led to plenary and general discussions which made it difficult to achieve concrete progress for the benefit of the developing countries. If this kind of exercise in information and confrontation is continued, it will be very difficult to achieve positive progress with respect to many products of special interest to developing countries.

3. We consider that we should move beyond this stage within the Committee on Trade and Development and, in accordance with paragraph 7 of the Conclusions adopted by the CONTRACTING PARTIES at their twenty-fifth session, initiate a stage of concrete action using the system of consultations provided for in Article XXXVII:2 of Part IV whenever it is considered that effect is not being given to the commitments entered into by the developed countries under Article XXXVII, paragraph 1(a), (b) and (c), which calls for the following:

- (a) reduction of barriers to trade in products of export interest to developing countries;
- (b) abstention from the introduction of new barriers (the standstill);
- (c) abstention from imposing new fiscal measures affecting products of interest to developing countries.

4. In this order of ideas, a developing country which considers that the above-mentioned commitments are not being complied with could request, in pursuance of Article XXXVII:2, that consultations be undertaken with a view to seeking concrete solutions to the problems affecting a specified number of products of particular interest to them, for example, some of their products which were not the subject to concessions in the Kennedy Round and trade and which has been adversely affected by failure to comply with commitments under Part IV.

5. In order to set up the consultation procedure provided for in Article XXXVII:2, the Committee on Trade and Development, in accordance with its terms of reference and in accordance also with paragraph 7 of the Conclusions adopted by the CONTRACTING PARTIES at their twenty-fifth session, could establish a subsidiary body to initiate, organize and carry on the above-mentioned consultations with the object of setting in motion the consultation procedure provided for in Part IV of the General Agreement, which has until now remained inoperative.

SWITZERLAND

1. Since Switzerland accepted the Protocol introducing Articles XXXVI to XXXVIII into the General Agreement, it has taken account of the interests of developing countries in the implementation of its trade policy, whether by introducing positive measures, such as those notified in documents COM.TD/11, COM.TD/27 and COM.TD/60, or by refraining from adopting any provisions that might have adversely affected the developing countries.
2. Under Articles XXIII and XXXVII, the CONTRACTING PARTIES have established consultation procedures applicable when any contracting party considers that any benefit accruing to it under the General Agreement is being nullified or impaired. As reported in document COM.TD/W/91, paragraph 15, some contracting parties have observed that the procedures provided for in Article XXXVII have not been used because certain factors mitigate against the ready resort to them. It therefore seems appropriate that the CONTRACTING PARTIES should examine the purpose and procedures of these consultations which could constitute one of the means of ensuring the satisfactory implementation of Part IV
3. The consultations should aim in particular at seeking ways and means of solving concrete problems by means of concerted action by the developing country or countries concerned and the developed country or countries taking part in the consultations.
4. Having regard to the fact that various intergovernmental organizations are concerned in one capacity or another with the problems covered by Part IV, Article XXXVI:6 and 7 and Article XXXVIII:2 emphasize the need for close collaboration between those organs and agencies. In order to improve their effectiveness, the utmost care should be taken in sharing out tasks between the organizations whose activities relate entirely or partly to economic and trade development.