

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development
Fourteenth Session

THE OPERATION OF PART IV: MATERIAL FOR EXAMINATION

Note by the Secretariat

1. At its twelfth session, held in November 1968, the Committee on Trade and Development gave consideration to a proposal that appropriate machinery be set up to carry out a detailed examination of the difficulties encountered in the implementation of Part IV and to recommend measures for securing effective and systematic implementation (cf. L/3102, paragraph 26). This was brought to the attention of the CONTRACTING PARTIES and was duly noted in the Conclusions adopted at their twenty-fifth session (cf. L/3155, paragraph 8). At its thirteenth session, in February 1969, the Committee agreed that it should, on the basis of submissions by contracting parties, review the problems involved and decide how the further examination of the problem and the formulation of recommendations might best be arranged (cf. COM.TD/64 and 65, Section II).
2. To assist the Committee in considering this matter, the secretariat circulated in February 1969 a background paper outlining past discussions and comments that appeared to be relevant to the subject (COM.TD/W/91). The paper drew attention, inter alia, to the question of non-reciprocity, a subject already discussed at the eleventh and twelfth sessions of the Committee on Trade and Development (see also the secretariat note in COM.TD/W/79 on past statements relevant to this subject). The secretariat paper in COM.TD/W/91 also compared the principles and objectives elaborated in Article XXXVI with the commitments specified in Articles XXXVII and XXXVIII. With regard to the stipulation in Article XXXVII concerning giving of high priority to the removal of trade barriers reference was made to suggestions by certain developing countries that attempts should be made to institute negotiations on important sectors in which developing countries had not benefited sufficiently or at all in the Kennedy Round negotiations, and to the indication given by certain developed countries that in the absence of legal authority they were unable to reduce duties further or to take other action. Mention was also made in the secretariat paper to the manner in which the standstill provisions under sub-paragraphs 1(b) and 1(c)(i) of Article XXXVII had been interpreted. A reference was also made to the interpretative note under paragraph 3(c) of Article XXXVII concerning the application of "other measures to meet particular problems", having regard to the question whether in applying "other measures", the developed countries had in fact given special regard to the trade interests of developing countries.
3. In preparation for the discussion at the present session, the Committee agreed at its last session that contracting parties should be invited to submit statements of the difficulties that had been encountered in the implementation of Part IV and suggestions on how to ensure more satisfactory and effective operation of the

provisions. In response to this invitation, nine Governments namely, Belgium, Ceylon, Cuba, Norway, Pakistan, Peru, Sweden, Switzerland and the United Arab Republic, have submitted statements, which have been circulated in documents COM.TD/W/97 and Add.1-6. The main points of these submissions may be briefly summarized.

Views of developing countries

4. In the statements of developing countries references are made to the inadequacy of action on the part of developed countries in relation to the obligations undertaken by them under Part IV. It is pointed out by some of them, for example, that developing countries received only limited benefits from the Kennedy Round especially as reductions on products of interest to them were often far short of the level of 50 per cent accepted as the working hypothesis for the negotiations and many products of interest to them were excluded from the list of concessions. Duties on many products of export interest to developing countries in their semi-processed or processed form remained disproportionately higher than those on the same products in their unprocessed form. As regards other trade barriers which fell within the purview of the negotiations, it has been pointed out that quantitative restrictions remained more or less intact and internal fiscal charges were not even negotiated in spite of the hopes held forth at the outset of the negotiations.

5. One developing country cites a measure taken by a developed country which is considered to be contrary to the provisions of paragraphs 1(b) and 3(c) of Article XXXVII, namely the application to items of important export interest to developing countries of a new import deposit requirement. The same developing country also mentions the introduction of an anti-dumping duty on her products by a developed country on the basis of arbitrary valuation and the exclusion of her products by the State monopoly of another developed country, as instances of infringement of the provisions of Article XXXVI:5.

6. Another contracting party, in its submission, mentions certain measures of embargo imposed by a developed country which in the view of the contracting party concerned, infringe a number of provisions of Part IV. The failure by certain developed countries to participate in the International Sugar Agreement is considered to involve inconsistencies with certain Part IV provisions.

7. A number of suggestions on the future operation of Part IV are advanced by developing countries. In the tariff field, these include the following:

- (a) Further action in the tariff field should be concentrated on the reduction of high tariffs on products of interest to developing countries, the elimination of low tariffs and the problem of differential duties between raw materials and semi-manufactured and manufactured products.

- (b) The tariff studies on the incidence of specific tariffs, differential and peak duties should be continued and due attention paid to areas affecting products of export interest to developing countries.
 - (c) Advance implementation of Kennedy Round concessions of interest to developing countries should be effected by the end of 1969.
 - (d) Tariffs of the developed countries should be restructured so as to separate those products which are of export interest to developing countries from those exported by industrialized countries with a view to securing the elimination or substantial reduction of duties applied by developed countries to such products.
8. As regards non-tariff barriers, the suggestions include the following:
- (a) The New Zealand proposal to set target dates for the removal of residual restrictions, which is fully in accord with the principles of Part IV, should be adopted.
 - (b) Residual restrictions and other non-tariff barriers applied by developed countries to exports of interest to developing countries should be eliminated on the basis of a time-table to be drawn up by the Committee on Trade and Development.
 - (c) Barriers affecting exports of interest to developing countries being considered in the Agriculture Committee and the Committee on Industrial Products respectively should be picked out for special consideration.
 - (d) Surcharges, import deposits and other restrictive measures applied by developed countries should not be applied against imports from developing countries.
9. Some suggestions relate to joint action and the institutional set-up for the implementation of Part IV. These include:
- (a) The examination of reports and notifications in the Committee on Trade and Development should move beyond the stage of general discussions to one of concrete action through the use of the system of consultations provided for in Article XXVII:2.
 - (b) The Committee on Trade and Development could establish a subsidiary body to initiate, organize and carry out these consultations.
 - (c) A more flexible attitude should be adopted regarding the concept of joint action which is spelt out in Article XXVIII; the resumption of the activities of the Group on Trade in Tropical Products is welcomed in this context.

- (d) Advanced countries should, in offering technical and financial aid to developing countries, also assist the latter's exports of manufactured and semi-manufactured products.

10. Finally, mention is made by more than one developing country of the scheme of general preferences and the trade negotiations among developing countries:

- (a) A non-discriminatory scheme of preferences in favour of developing countries should be adopted as early as possible.
- (b) Industrial countries should submit offer lists for the general scheme of preferences.
- (c) Trade negotiations among developing countries in GATT should be given full support and should cover manufactured, semi-manufactured, primary and agricultural products. Certain suggestions concerning the content of these negotiations have been advanced in this context.

Views of developed countries

11. In their submissions some developed countries state that in their view they have been taking the interest of developing countries into account in the implementation of their policies. Some of them consider that progress has been achieved in implementing Part IV both in the tariff and non-tariff field and that further progress will be achieved through the implementation of the work programme adopted at the twenty-fourth session. They feel that it is difficult to pass judgment as to whether Part IV of the General Agreement is being satisfactorily implemented until the work has reached a more advanced stage. The process of identifying problems of specific interest to developing countries, the implementation of the GATT work programme as a whole, and the conceiving of mutually acceptable solutions require time.

12. Some of the developed countries have mentioned the advance implementation by their governments of concessions on products of interest to developing countries negotiated in the Kennedy Round as instances of their earnestness in fulfilling Part IV obligations.

13. One developed country considers that the contracting parties should examine the procedures for consultations embodied in Article XXXVII and their purpose so that factors mitigating against ready resort to these procedures might be explored. The consultations should aim, in particular, at seeking ways and means of solving problems through concerted action.

14. It has also been suggested that in order to improve the effectiveness of various inter-governmental organizations in dealing with trade and development problems, the utmost care should be taken in sharing out tasks between these organizations.

15. Another developed country considers that difficulties encountered in the implementation of Part IV will be eliminated in part, once agreement has been reached on the establishment of a system of general preferences. It also points out that one of the best ways to solve the export problems of developing countries is through trade promotion and activities in the International Trade Centre.