

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Committee on Trade and Development

### DRAFT REPORT OF THE COMMITTEE TO THE CONTRACTING PARTIES

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The present report covers the activities of the Committee since the twenty-fifth session and is based on meetings held during the thirteenth, fourteenth and fifteenth sessions of the Committee. Reference is made also to COM.TD/64, COM.TD/65 and COM.TD/69 and Add.1 for secretariat notes on the proceedings of the thirteenth and fourteenth sessions. At the fifteenth session the Government of Ireland became a member of the Committee.

#### I. Review of the implementation of Part IV of the General Agreement

##### (a) General

1. The Committee noted with satisfaction that since it last reported to the CONTRACTING PARTIES (BISD, Sixteenth Supplement, page 89) five governments had accepted Part IV. It expressed the hope that the few remaining contracting parties which had not yet done so would endeavour to take the necessary legal action to accept Part IV as soon as possible.

2. The Committee took note of the information provided by the secretariat on trends in the trade of developing countries and on developments in other international bodies relevant to its activities. The Committee also noted reports on measures taken by governments relevant to the implementation of Part IV (COM.TD/W/112 and addenda) and supplementary statements made by members in the Committee.

(b) Tariff barriers and special tariff problems

3. The Committee noted that since the twenty-fifth session some more contracting parties had fully implemented some or all of the tariff concessions granted by them during the Kennedy Round. Developing countries members of the Committee hoped that developed countries will continue to explore further possibilities in this direction before the twenty-sixth session. The Committee also noted the action taken recently by certain contracting parties in reclassifying tariff items relating to certain handicraft products in favour of developing countries. It noted the view of some members that the question of tariff reclassification was likely to be accommodated in the general preferential scheme now being discussed. The Committee agreed that it would in the meantime continue to keep the subject on its agenda and hoped that developed countries would keep the Committee informed of any action taken by them on this matter.

4. The Committee noted the view expressed by some members that a solution to some of the more pressing tariff problems of developing countries might be found following the adoption of the proposed general scheme of preferences. The Committee recalled the affirmation by the CONTRACTING PARTIES at the twenty-fifth session of their readiness to take appropriate action when the scheme had been negotiated. It expressed the hope that, following the presentation of illustrative offer lists by the donor countries, early agreement would be reached on the issues that still remained outstanding.

5. The Committee took note of the work being pursued in the framework of the Industrial Committee on the study of the tariff situation as it would exist after the Kennedy Round concessions have been fully implemented. Members of the Committee from developing countries felt that those aspects of the work which dealt with the particular trade interests of developing countries notably, the analysis of differentials in tariff rates applying to developing country products or of the incidence of specific duties on certain products, appeared to be lagging behind. Recalling paragraph 11 of the Conclusions of the twenty-fifth session they stressed that the areas of concern to developing countries should be given the same degree of attention as that afforded to sectors of interest to developed countries so that all parts of the study would be completed at the same time. Members of the Committee from developed countries expressed their determination to co-operate in resolving the technical difficulties encountered in ensuring a meaningful analysis of certain tariff problems of particular concern to the developing countries and hoped that the work in this field would be completed to the satisfaction of all concerned.

(c) Non-tariff barriers, including work of Group on Residual Restrictions

6. The Committee noted that since its report to the twenty-fifth session some developed countries maintaining residual restrictions had taken action to liberalize certain items of interest to developing countries and that this action, though slow and limited in scope, represented concrete progress. Several members of the Committee from both developing and developed countries hoped that the pace of liberalization will be speeded up particularly in respect of processed

and semi-processed primary products. They felt that the time had long passed when discussions on residual restrictions should be confined merely to identifying problems. The problems in this field were now well-known and action should be taken to establish definite target dates for the removal of these restrictions. They expressed disappointment that the New Zealand proposal at the twenty-fourth session in this regard had not yet been adopted.

7. The Committee noted that the Group on Residual Restrictions had been carrying out a product-by-product examination of restrictions of particular interest to developing countries selected from a list of twenty-one products or product groups which had been established by the Group, and that the Group proposed to continue this examination. At the same time the Committee noted that certain proposals by the Director-General for dealing with import restrictions generally were being discussed in the GATT. The Committee hoped that the interests of developing countries would be given special attention in this work. The Committee agreed that subject to any decisions which might be reached by the Council or the CONTRACTING PARTIES on the question of import restrictions as a whole the Group on Residual Restrictions should continue with the work outlined in paragraph 8 of its report (COM.TD/70). In carrying out its work the Committee agreed that the Group should also examine in more detail the various grounds on which restrictions were maintained so that appropriate suggestions for their removal may emerge.

8. The Committee, in reviewing the activities in regard to non-tariff barriers in other organs of GATT, noted with satisfaction that there seemed to be a general desire among members of the Agriculture and Industrial Committees to move forward from the stage of fact-finding to that of discussing concrete solutions to the problems with which these bodies were charged. It took note of the assurances given by developed countries that the trade interests of developing countries will be taken into account in the seeking of solutions in these bodies. It expressed the hope that in this context particular attention would be given to barriers of a discriminatory character affecting exports of developing countries and those with a particularly severe incidence on such exports. The Committee expressed the hope that in the search for solutions the special problems of developing countries will be taken up on an urgent basis.

9. The Committee noted the work being pursued in the Working Party on Border Tax Adjustments and the view of some members that products imported from developing countries which were not produced in developed countries should be exempted from border tax adjustments. It noted that the Working Party on Border Tax Adjustments would be continuing its discussion on this matter. It also took note of the views expressed by a number of developing countries on certain other points concerning the implementation of Part IV, notably those relating to exemption of products of interest to developing countries where duties or charges were imposed for balance-of-payments reasons, and to the need for giving higher priority to the elimination of fiscal taxes on products imported wholly or mainly from developing countries; and that the interests of developing countries where measures were taken to deal with specific trading problems should be given adequate attention by the developed countries in their further action in these fields. These points should also receive adequate consideration in the work of other GATT bodies dealing with these matters.

10. Members from developing countries have suggested that the Committee, at its next meeting, should discuss the problems connected with the reservation made by developing countries with respect to the Anti-Dumping Code with a view to exploring how the acceptance by developing countries of the Code could be facilitated.

## II. Adjustment assistance measures

11. The Committee has continued its examination of the question of adjustment assistance measures on the basis of information submitted by governments. The Committee recalled its earlier discussions on the rôle of adjustment assistance as an instrument of trade liberalization. It noted that the view had now evolved in at least some developed countries that adjustment assistance measures could be a more desirable alternative to measures restricting imports in dealing with sectors in the national economy which were particularly sensitive to trade liberalization, and that the governments of certain of these countries were seeking legislation which would facilitate resort to these measures. It also noted that there was a trend towards the increasing use of adjustment assistance policies, sometimes specifically to deal with the problems of trade liberalization in particular sectors and more broadly as a means for adapting industrial structures to technological developments in a more efficient pattern of international specialization. Some members of the Committee hoped that in utilizing these measures greater attention will be paid to applying them to deal with the specific problems of developing countries.

12. The Committee agreed to continue to watch developments in this field including the results of work in other GATT bodies. Many representatives stressed that there would be an advantage in governments continuing to furnish information on the availability of adjustment assistance legislation and measures and the use made of them. This would allow the Committee to discuss any new developments and to provide for an exchange of the experience of governments in areas of practical application.

## III. Trade in tropical products

13. At its thirteenth session the Committee had asked the Special Group on Trade in Tropical Products to take up on a priority basis outstanding problems relating to certain tropical vegetable oils and seeds. A report on the Group's activities was made to the fourteenth session of the Committee by the Chairman of the Special Group. The Committee endorsed the points made in paragraphs 4(ii) and 7 of that report (SGTP/14) and requested the Agriculture Committee at its following meeting to take up as the first item of its agenda the problems relating to tropical vegetable oils and seeds in the light of the report of the Chairman of the Special Group. In November-December 1969 the Agriculture Committee discussed the matter on the basis of proposals submitted by the delegations of Nigeria and Ceylon involving requests for the removal of tariff and non-tariff barriers on certain vegetable oils and seeds, and suggestions on the machinery for tackling the problems affecting these products. No agreement was, however, reached on these proposals and the Agriculture Committee decided to continue discussions at its next meeting in early 1970.

14. The representatives of Nigeria and Ceylon, supported by several members of the Committee, expressed their disappointment and concern that, despite the importance of the exports of tropical oils and seeds to developing countries, instead of urgent and concrete solutions being worked out for the problems of trade in these products, the matter had been merely passed from one GATT body to the other. They recalled in this connexion the Conclusions adopted by the CONTRACTING PARTIES at their twenty-fifth session in which they noted that there was need to give priority consideration to, and to take immediate steps towards solving, the trade problems of developing countries. They stressed that it was incumbent on the Committee on Trade and Development to initiate action to solve this problem in accordance with paragraph 7 of the Conclusions of the twenty-fifth session. They expressed the hope that before the twenty-sixth session progress would be made in arriving at either a limited or comprehensive solution to this pressing problem. The representative of Nigeria informed the Committee that his Government had taken careful note of the reactions to her proposals by each of the developed countries to whom those proposals had been addressed, and would be very shortly circulating a small modification to its proposal with respect to a particular product.

15. The Committee agreed after reviewing the developments on the subject, to recommend that members of the Committee appeal to their governments to give urgent consideration to the problem of trade in tropical products with a view to finding concrete solutions as early as possible.

#### IV. Examination of the operation of Part IV of the General Agreement

16. At the twenty-fifth session the CONTRACTING PARTIES noted the intention of the Committee on Trade and Development to carry out a detailed examination of the difficulties encountered in the implementation of Part IV and to recommend measures for securing more effective and systematic implementation. The Committee carried out a substantive discussion of this matter at its thirteenth, fourteenth and fifteenth sessions on the basis of written and oral comments and suggestions by governments (COM.TD/W/97 and Add.1-18) and background documentation prepared by the secretariat.

17. During the discussions, members of the Committee from developing countries expressed the view that sufficient efforts had not been made by developed countries to implement Part IV and that they had interpreted Article XXXVII:1 in a manner not always consistent with the objectives of Part IV. In this connexion attention was drawn to certain specific concerns relating to the interpretation and application of particular provisions, e.g. the justification given for application of restrictions to products of interest to developing countries in terms of existing legislation when such legislation does not constitute a mandatory requirement for the application of these restrictions, the inability of governments to exempt certain developing country products from the application of new surcharges or taxes etc. imposed for fiscal or balance-of-payments reasons as seemed called for, in the view of certain countries, by the provisions of paragraph 1 of Article XXXVII. The view was also expressed by these members that, in accordance with the provisions of paragraph 5 of Article XXXVII, greater regard should be

given to the interest of developing countries when the developed countries took action to deal with certain specific trading problems. These members also pointed out that while the provisions for consultation set out in Article XXXVII:2 were designed for dealing with specific instances where it was felt there had not been compliance with the provisions of Part IV, no use had been made of these provisions. They therefore considered that arrangements should be made to facilitate more ready use of the provisions of Article XXXVII:2. The view was also expressed that if concrete complaints, or even one single complaint, were to be presented under Article XXXVII:2, the Committee on Trade and Development would be obliged to act and find the appropriate procedure for dealing with the matter.

18. Members from developed countries, on the other hand, pointed out that they had continued to accord high priority to the removal of barriers to the trade of developing countries and expressed their willingness to discuss with developing countries any specific problems that may arise. Some members stated that their governments had endeavoured to give adequate consideration to the interests of developing countries when taking action, such as for example, the use of surcharges or import deposits to deal with specific problems. Some members felt that more time was needed to evaluate fully the operation of Part IV, and that this evaluation could only be made when the current work in various other GATT bodies and in other organizations had been further advanced. A major step towards the attainment of the objectives of Part IV, for example, could be taken with the implementation of the scheme for generalized preferences. They also pointed out that in assessing the effectiveness of Part IV, account should also be taken of the considerable influence Part IV exercised in deterring developed countries from taking action which could be to the detriment of developing countries, and which they would perhaps be tempted to take if Part IV had not existed. This was an element which, although it could not be quantified, was nevertheless of real significance and should be added to the positive side of the picture.

19. The Committee agreed that to ensure more effective implementation of Part IV it was not necessary to attempt a modification of the text of Part IV or the establishment of new machinery. In this connexion it was noted that the Committee's terms of reference enabled it to carry out or arrange for any consultations which may be required in the application of Part IV provisions. It was therefore felt that appropriate arrangements should be made to allow the Committee to discharge its responsibilities regarding the consultation aspect, and that to this end an understanding should be reached as to the procedures to be followed. Against this background the secretariat was requested to circulate draft proposals.<sup>1</sup>

20. Some members of the Committee, in supporting the suggestion that the strengthening of the consultative rôle of the Committee on Trade and Development should be encouraged, expressed the hope that developing countries would endeavour to present their problems in specific terms since, in their view, discussions of problems in general terms no longer appeared to provide fruitful results. They

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<sup>1</sup> A draft text has been issued as COM.TD/W/116.

also stressed that before any consultation procedures were initiated under Article XXXVII:2 the matter should first be discussed in the Committee on Trade and Development to enable it to decide on the most appropriate manner of dealing with the problem raised.

21. It was agreed that the Committee should at each session continue to review the implementation of Part IV in order to provide guidelines for solving specific problems and to initiate action and make recommendations on any problem falling under Part IV. The Committee recommends that developing countries take an active rôle in the activities of other GATT bodies and that these bodies be reminded of the relevance of Part IV to their activities. The Committee will continue to consult with respect to the work of these bodies in relation to problems affecting the trade of developing countries.

V. Future work and other matters

22. The Committee recalled a conclusion adopted at the twenty-fifth session in which it was recognized that there was need to give priority consideration to, and to take immediate steps towards, solving the trade problems of developing countries. The Committee hopes that sufficient weight will be given to this conclusion in establishing directives for future work in the various GATT bodies during the twenty-sixth session of the CONTRACTING PARTIES.

23. The Committee agreed that it would draw up its future work programme at a subsequent meeting in the light of the discussions at the twenty-sixth session.