

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

## DRAFT REPORT OF THE COMMITTEE TO THE CONTRACTING PARTIES

### Introduction

1. The present report covers activities of the Committee since the twenty-sixth session of the CONTRACTING PARTIES and is based on meetings held during the sixteenth and seventeenth sessions of the Committee. Notes by the secretariat on the proceedings of the sixteenth session, held in March and May 1970, and on certain procedures related to notification, concerning non-compliance with provisions of Part IV, were distributed in COM.TD/76, COM.TD/78 and COM.TD/74, respectively. At the seventeenth session, the Government of the Peoples' Republic of the Congo (Brazzaville) became a member of the Committee.

2. At its sixteenth session the Committee drew up a work programme in the light of the Conclusions adopted at the twenty-sixth session of the CONTRACTING PARTIES. During its annual review of the implementation of Part IV at the seventeenth session, the Committee also reviewed the progress made under this work programme.

### Review of implementation of Part IV and the Conclusions of the twenty-sixth session

3. In introducing the discussion at the seventeenth session, the Chairman proposed that the review might cover not only the implementation of Part IV, but also action taken by contracting parties to give effect to the relevant Conclusions of the twenty-sixth session. The Committee had before it documentation prepared by the secretariat concerning recent developments in primary commodity exports (COM.TD/W/129); developments and activities in other international organizations (COM.TD/W/131); and activities in other organs of GATT of direct interest to the Committee (COM.TD/W/133). The Committee reviewed notifications by governments (COM.TD/W/128 and Add.1-3), and heard supplementary oral statements on action taken by governments under Part IV and with respect to the Conclusions of the CONTRACTING PARTIES.

4. Representatives from developing countries expressed appreciation for action taken by individual developed contracting parties, as notified by them, to assist the expansion of exports of developing countries and for efforts made by developed countries generally in adopting the generalized preferential scheme and

the Strategy for the Second Development Decade. Many representatives from developing countries stressed, however, that the current situation of developing countries called for urgent and wider ranging action in the trade field to increase their foreign exchange earnings so that these countries could achieve the rate of economic growth envisaged in the Strategy. In this connexion, they recalled that the Conclusions of the twenty-sixth session of the CONTRACTING PARTIES had stressed the need for the GATT to make maximum efforts directed towards the expansion of the export earnings of all developing countries and to giving priority consideration to, and taking immediate steps towards, solving the trade problems of these countries. They expressed feelings of frustration at the lack of adequate action in GATT in this direction. They also viewed with concern the manifestations of protectionist tendencies in certain countries, the uncertainties caused by the current negotiations between EEC and other West European countries, as well as certain other disquieting developments on the international trade scene. They felt that there was a danger that the preoccupation of developed countries with their own problems would prevent early attention to those trade problems which were of specific concern to developing countries and urged that separate consideration be given to these problems.

5. Representatives from developing countries emphasized that if it were not possible for contracting parties to enter into new negotiations to deal with the trade problems facing the world trading community as a whole, serious efforts should be made to initiate positive action in favour of developing countries in respect of at least some of the most urgent problems already identified in GATT. To this end solutions for the specific problems of developing countries in the form of advance action to eliminate or reduce especially non-tariff barriers on their products could be applied without waiting for the results of a general negotiation. They expressed their hope that the necessary political will would be manifested by developed countries so that in any action they would take as a result of current developments the interests of developing countries would not be harmed. The developing countries supported a proposal advanced by a representative for the establishment of a small high-level group for the purpose of presenting concrete proposals for solutions to the trade problems of developing countries, taking into account the various suggestions put forward in the Committee on Trade and Development and its sub-groups and in the other organs of GATT. In working out proposals the Group would consult informally with contracting parties. At the request of the Committee the proposal has been circulated (COM.TD/W/137).

6. Representatives of developed countries pointed out that GATT had played an important and positive rôle in the expansion of international trade over the past two decades; the benefits being felt by both developed and developing countries. They recalled the many occasions on which governments had been able to resist protectionist pressures in their countries by pointing to GATT obligations. They also referred to action taken to assist developing countries by implementing in advance Kennedy Round concessions on products of interest to these countries.

The adoption of the generalized scheme of preferences and the Strategy for the Second Development Decade were important steps forward and created a positive basis for future work. On the other hand, some representatives from developed countries declared that they were aware that a prolonged pause in the GATT attack on trade barriers could have unfortunate repercussions on the economies of countries least able to afford the cost of such delay. They stressed that notwithstanding the difficulties at present overshadowing international trade, which should not be underestimated, efforts were being made to carry forward the work programme initiated at the twenty-fourth session.

7. Some representatives from developed countries also stated that, while they appreciated the desire of the developing countries that their problems should be tackled with urgency, there were many complexities in the area of tariff and non-tariff problems, which would inevitably require that action to deal with these problems would have to be taken on a comprehensive rather than individual basis. However, if it were possible to identify areas where specific problems of developing countries could be dealt with separately and on a priority basis, they believed that their authorities would give careful and sympathetic consideration to such proposals.

8. The representatives of developed countries, while indicating that they were not yet in a position to give the reactions of their governments at this session, generally expressed their positive interest in the proposal to set up a small high-level group as suggested by the developing countries. The Committee agreed that the proposal, circulated in COM.TD/W/137, should be taken up for decision at a meeting to be held in January 1971.

#### Tariff problems

9. The Committee noted the progress of work on the tariff study and that further discussions on the next stage of the work would take place at an early meeting of the Committee on Industrial Products in 1971.

10. Representatives from developing countries recalled that certain problems in this field of interest to developing countries were specified in the Conclusions adopted at the twenty-sixth session. Some of these representatives felt that the problem of differential tariffs could be studied taking into account the changes resulting from the generalized preferential scheme. As regards the question of tariff reclassification, the secretariat might be asked to examine whether there would be further scope for action in this field with regard to products which would not be included in the generalized scheme of preferences. One of these representatives pointed out that all tariff problems could not be solved by the generalized scheme of preferences, tariff escalation for example, arose also in

connexion with processed agricultural products, many of which were exempted from the scheme. Some of these representatives also felt that if no progress was made with regard to Tabulation III of the study at the next meeting of the Committee on Trade in Industrial Products in 1971, the Committee on Trade and Development should consider how progress on its own initiative could be made in the three areas referred to in the Conclusions of the twenty-sixth session. They suggested that the basic tariff data should be made available to all interested parties.

11. The representative of a developed country indicated that his government would wish to have the tariff study go ahead as quickly as possible; the delay referred to had arisen on account of the technical nature of the problems involved the solution of which required a more complete data basis.

12. While the Committee did not enter into a substantive discussion of this item in advance of it being considered in the Committee on Trade in Industrial Products, it was agreed that if no progress was made at the meeting of that Committee in early 1971 in carrying forward the work on those aspects of the tariff study of interest to developing countries, the Committee on Trade and Development would review the situation and suggest what further steps might be taken.

#### Import restrictions

13. In its report to the twenty-sixth session, the Committee had recommended that the Group on Residual Restrictions should be reconvened as and when it was considered useful to do so. A note on the meeting of the Group held on 22-23 October 1970 was presented to the Committee in COM.TD/79.

14. The Committee noted that the Group had carried out a product-by-product examination of the remaining fifteen items of the twenty-one selected for priority treatment. It also noted the views of the Group that while the progress achieved in the Group so far had been slow and modest in relation to the problems faced by developing countries, efforts within the Group to promote the removal of import restrictions affecting products of export interest to developing countries should continue to be pursued. Note was also taken of the views and suggestions of the Group in Part I of COM.TD/79.

15. Representatives from developing countries expressed disappointment at the lack of progress on this problem in the context of the Joint Working Group and in Working Group 4 of the Committee on Industrial Products. They regretted in particular that in the proposals put forward for dealing with the problem in various GATT bodies no progress had been made in respect of establishing programmes with target dates for the removal of the restrictions. In this connexion they recalled that certain dates were specified for the removal of barriers to trade in

the Strategy for the Second Development Decade. They reiterated that illegal import restrictions should be removed unilaterally and should not be the subject of negotiations for their elimination.

16. Some representatives from developed countries expressed the view that the question of residual import restrictions was a very long-standing problem and that greater efforts should be made to remove them. One representative from a developed country recalled the views expressed by his delegation on previous occasions to the effect that it was not in a position to adopt liberalization programmes establishing target dates for the removal of import restrictions. He mentioned the reservations which were recorded by his government on this point on the adoption of the Strategy for the Second Development Decade. With regard to the suggestions made on measures to facilitate removal of restrictions, he stated that adjustment assistance was only one of several measures which could be employed to deal with the problems involved and that it could only be used to contribute towards a long-term solution.

17. After further discussion the Committee agreed that the Group on Residual Restrictions should within its mandate (i) continue to seek possibilities for elimination of restrictions on the twenty-one products or product groups already examined by it and other products identified as of export interest to the developing countries in the Group and in the Joint Working Group on Import Restrictions, on the basis of an item-by-item examination and (ii) keep under review the results of the examination already carried out by it and explore possibilities for achieving progress towards liberalization through the use of the measures suggested in paragraph 10 of its report (COM.TD/79).

#### Tropical products

18. The Special Group on Tropical Products met in July 1970 to discuss the question of internal charges and revenue duties. Barriers to trade in new and improved forms of natural rubber, were also examined. A record of the proceedings of the discussions at this meeting has been circulated in SGT/20.

19. The Committee took note of the discussions in the Special Group and of the proposals for further work put forward in the Group, and of the views of some members on these proposals. The Committee noted that in connexion with the work of the Working Party on Border Tax Adjustments it had been agreed that the suggestions made in that body concerning its own work should not affect the work under way in the Special Group on Tropical Products. It was stated by some developing countries that recent changes in fiscal systems in several developed countries had posed problems for developing countries; it appeared that the incidence of internal taxes applied to some tropical beverages had increased as a result of these measures. The representative of one developed country informed the Committee of recent developments regarding action initiated for the purpose of eliminating import duties on natural rubber with chemical additives.

20. The Committee invited the Group to continue its discussions with a view to seeking solutions to the problems before it and expressed the hope that at its next meeting progress would be made in regard to the specific proposals referred to in paragraph 33 of SGTP/20.

Adjustment assistance measures

21. Governments had been invited to notify developments in regard to adjustment assistance measures and the use made of them, for consideration by the Expert Group. A record of the proceedings of the meeting of the Group, held on 30 November 1970, was before the Committee in COM.TD/80.

22. The representative of a developed country drew attention to certain important changes in the administration of his country's adjustment assistance programme. He gave instances of action taken by his government in this regard and stated that this action involved products some of which were of interest to developing countries.

23. The representative from a developing country stated that, while he was aware that governments of developed countries had made certain reservations with regard to the reference in the Strategy for the Second Development Decade to greater use of adjustment measures, his authorities attached considerable importance to its use in particular to deal with social and economic difficulties in depressed sectors in developed countries which prevented the removal of import restrictions on products of interest to developing countries, and to the working out of systematic programmes for this purpose.

24. The representative of a developed country stated that his government was prepared to consider the use of adjustment assistance measures in appropriate circumstances but could not agree to the working out of systematic programmes. This representative and some other representatives of developed countries stated that their agreement in the Expert Group that the secretariat should prepare proposals on further information which could be obtained from governments was without commitment as to the attitude of their authorities to any proposals which might be put forward.

25. On the basis of this exchange of views, the Committee recommended that contracting parties should continue to give attention to the use of appropriate measures of adjustment assistance as one important means of adaptation to increased imports from developing countries. Governments should be requested to keep under review the possibilities of using either adjustment assistance measures or adjustment assistance programmes to this end, and account should continue to be taken of these possibilities in the work of the Group on Residual Restrictions. The secretariat should also be asked to put up proposals on what additional information concerning the present use of adjustment assistance measures would be helpful in exploring the possibilities of broader use of these measures. These

proposals would be for consideration at the next meeting of the Expert Group on Adjustment Assistance Measures, which should report its deliberations in the matter to an early meeting of the Committee on Trade and Development.

Concluding remarks by the Chairman

26. The Chairman said it had been gratifying to note the constructive and co-operative spirit in which the discussions at the session had been conducted. He emphasized that as it had not been possible to make progress on the substantive issues before the Committee, and as action taken was limited to instructions to continue to pursue work in subsidiary bodies, the discussion under the first item of the agenda and action suggested in this context, assumed even greater importance. It was in his view important to move forward and try to achieve results, even on a limited or modest scale, towards the improvement of the trade position of developing countries through mutual understanding and co-operation among contracting parties.

Future work

27. The Committee agreed that the work of the Group on Residual Restrictions, the Expert Group on Adjustment Assistance Measures and the Special Group on Tropical Products should continue along the lines indicated above. The programme of work of the Committee will be drawn up in the light of the decision to be taken at its next meeting on the proposal put forward by developing countries (cf. paragraph 5).