

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Trade and Development
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BACKGROUND NOTE FOR REVIEW OF IMPLEMENTATION OF PART IV

Prepared by the Secretariat

1. In accordance with its terms of reference, the Committee on Trade and Development is required to keep under continuous review the implementation of Part IV of the General Agreement and to carry out, at least once a year, a major review of commercial policy measures adopted by governments in compliance with the provisions of Part IV. Accordingly, at its twenty-sixth session in October 1973, the Committee carried out a full annual review of the implementation of Part IV on the basis of a secretariat paper setting out a summary of trade policy measures adopted by governments during the previous twelve months (COM.TD/W/204). Additional information on action taken by governments, provided by a number of delegations in the course of that meeting, is contained in paragraphs 11 and 12 of the Committee's report (L/3952). Information available to the secretariat on more recent developments is summarized in the following paragraphs.

ACTION BY GOVERNMENTS

Tariffs

2. On 20 February 1974, United States escape clause action providing for a tariff increase on pianos (other than grand pianos) terminated. Consequently, the third stage Kennedy Round duty rate for this item of 11.5 per cent became effective on 21 February 1974; the fourth stage rate of 10 per cent will be operational on 1 January 1975 and the final stage rate of 8.5 per cent is scheduled to be implemented on 1 January 1976.

Generalized System of Preferences (GSP)

3. Austria has, from 1 January 1974, improved its GSP scheme by effecting deeper tariff cuts for certain products falling within BTN Chapters 1 to 24 (notably spices, certain cocoa products and coffee extracts) (L/3697/Add.2). Australia introduced a new and substantially broader system of preferences for developing countries as from 1 January 1974 (L/3982) and is operating this scheme under the waiver adopted by the CONTRACTING PARTIES with respect to the GSP in June 1971. The Canadian system of

tariff preferences for developing countries is to be introduced on 1 July 1974 (L/4027/Add.1). The Generalized System of Preferences of the new member States of the EEC, viz, those of the United Kingdom, Denmark and Ireland have been subsumed by a single scheme introduced on 1 January 1974 for the nine member States of the enlarged Communities (L/4000). On 1 April 1974, Japan introduced a number of improvements to its Generalized System of Preferences by including some additional products falling within BTN Chapters 1 to 24, as well as granting deeper tariff cuts in respect of certain other products falling within those Chapters. Duty-free treatment has also been afforded to certain items in BTN Chapters 25 to 99, to which a 50 per cent tariff reduction had earlier been applicable. In addition the administration of ceilings has been improved, the number of items in the exceptions list applicable to Hong Kong reduced and the list of beneficiary countries enlarged to include Mongolia (L/3876/Add.2). Switzerland implemented the second phase of its preference scheme on 1 April 1974 (L/4020). In this connexion, duty-free treatment is now granted to most products in the industrial sector and improvements have been made in the agricultural sector.

Standstill

4. A number of developments have taken place in recent months that are of interest in the context of Article XXXVII.¹

¹Article XXXVII provides, inter alia, that the developed contracting parties shall to the fullest extent possible - that is, except when compelling reasons, which may include legal reasons, make it impossible - (i) refrain from introducing, or increasing the incidence of, customs duties or non-tariff import barriers on products currently or potentially of particular export interest to less-developed contracting parties, and (ii) refrain from imposing new fiscal measures and, in any adjustments of fiscal policy accord high priority to the reduction and elimination of fiscal measures, which would hamper, or which hamper, significantly the growth of consumption of primary products, in raw or processed form, wholly or mainly produced in the territories of less-developed contracting parties, and which are applied specifically to those products.

It may also be noted that in a communiqué issued in March 1973 by the Committee of Twenty of the International Monetary Fund in connexion with international monetary reform and related issues, it was stated, inter alia, that there should be a strong presumption against the use of trade controls for balance-of-payments reasons. Developing countries would, however, be exempt wherever possible from trade and capital controls imposed by other countries.

5. The temporary surtax on imports of live cattle and fresh beef which had been imposed by Canada in November 1973 was abolished in February 1974. Because of a particularly difficult situation arising in the bovine meat market, the European Communities considered it necessary to take emergency and temporary action. From 25 February to the end of March 1974, imports into the Community of live animals and certain meat of the bovine species were subject to the presentation of an import certificate issued by the member State. However, no certificates were to be issued by France, Italy, Belgium and Luxembourg for imports of certain edible meat of the bovine species, fresh or chilled for free circulation in those countries. For the period 30 April-6 May 1974, the issue of import and prefixing certificates in the bovine meat sector as a whole was suspended. In May 1974, the European Communities took emergency action tying the import of frozen bovine meat to the sale of meat held by the intervention agencies. It was stated that this was a temporary exception from the normal régime applied by the Community to imports of these products.
6. As from 1 May 1974, the United States in pursuance of Article XIX of the General Agreement, increased duty rates on selected categories of ball bearings if not priced over specified unit values. Prevailing trade agreement rates continue to apply to bearings priced above the specified unit value.
7. Early in May 1974, the Government of Italy introduced a temporary system of import deposits affecting imports of goods from all sources. Raw materials, energy products and most capital goods are exempt from the measure. Importers of the products covered (L/4029), which represent about two fifths of Italy's imports, are required to deposit with the Bank of Italy for a period of six months, a sum equivalent to 50 per cent of the value of the goods. A Working Party has been established by the Council of Representatives of GATT to examine the scheme and its implications, to report to the Council and to continue to be available for consultations as necessary.
8. The Government of Iceland introduced a temporary import deposit scheme valid from 20 May to 30 September 1974. The scheme is applicable to all imports with the exceptions of certain categories including cereals and fodder, coffee, sugar, tea, cocoa, salt, petroleum products, fishing gear, fertilizers and seeds, raw materials for industry, wine, spirits and tobacco, pharmaceutical products and newsprint (L/4035). Under the scheme, importers are required to deposit with an exchange bank 25 per cent of the value of imports to be transferred to the Central Bank, where it will be blocked for ninety days. Thereafter the deposit will be refunded with an interest of 3 per cent per annum. A Working Party has been established by the Council to examine the temporary scheme and its implications, to report to the Council and to continue to be available for consultations as necessary.

9. The Government of Denmark has announced an increase in indirect taxes for 1974 in respect of a number of items including vehicles, cigarettes, spirits and wine.

Quantitative restrictions

10. As of 1 November 1973, Japan has eliminated quantitative restrictions on six products - certain fish, grapefruit (provisionally preserved), flour of kao-liang and other grain sorghums, certain groats, other seaweed, dates denatured and roasted groundnuts. Quantitative restrictions on malt will be eliminated as of 1 October 1974. On 25 January 1974, the United States suspended annual import quotas for wheat and milled wheat products until 30 June 1974. The United States also authorized the entry of an additional 100 million pounds of Cheddar cheese during the first quarter of 1974 over and above the annual import quota of approximately 10 million pounds. In March 1974, 150 million pounds of non-fat dry milk, additional to the annual quota of 1.8 million pounds, was authorized for import up to the end of June 1974. Consideration is also being given to the possible temporary suspension of quotas on certain cotton, cotton waste and cotton products, in the light of a Tariff Commission recommendation on the matter.

11. During 1973/74, the United Kingdom has issued two supplementary quotas of 10,000 tons and 5,000 tons respectively for imports of bananas from dollar area countries in order to offset shortfalls from non-quota sources. The basic dollar area annual quota is 4,000 tons.

RECENT DISCUSSIONS AND DEVELOPMENTS IN GATT

Multilateral trade negotiations

12. The Trade Negotiations Committee established by the Tokyo Ministerial Meeting has held two meetings, the first between 24 and 26 October 1973 and the second on 7 February 1974. The Committee established six Groups and adopted a programme of preparatory work of an analytical and statistical nature. Four of the six Groups, namely Group 3(f) on tropical products, Group 3(a) on tariffs, Group 3(b) on non-tariff measures and Group 3(e) on agriculture, have met in recent months.

13. Group 3(f) has met on two occasions and has been concerned with the up-dating and extension of existing documentation and information on tropical products and the identification of problems facing these commodities. A number of additional items not covered by existing documentation have been submitted by delegations of developing countries for inclusion in the work programme. Technical and analytical work on tropical products will be pursued further at a meeting in July.

14. Group 3(a) has also held two meetings. There was general consensus on the need and desirability of up-dating the statistical charts and tables in document COM.IND/W/62/Add.1 which contains a general analysis of industrial tariffs and trade. The trade data in the basic tariff study files are also being up-dated to 1972. As regards the question of the Generalized System of Preferences and most-favoured-nation tariff reductions, the secretariat has been asked to prepare tabulations along the lines discussed in the Group. The setting of base dates and base rates for tariffs and base year or years for the collection of statistics to be used in the negotiations as well as the unit of account were among the matters discussed. Consideration was also given to the preparation of a tariff rate information file showing statutory and applied rates of duty, ad valorem equivalents, etc.

15. At its meeting in March, Group 3(b) agreed that the revised Inventory of Non-Tariff Measures should be open-ended and that participants should be free throughout the negotiations to request the inclusion of further notifications. In noting that the Joint Working Group documentation was being revised, the Group agreed that Annex IV of that documentation should also be revised so as to establish a comprehensive list of all items of export interest to developing countries which are subject to import restrictions. The up-dating of tabulations indicating import restrictions, tariffs (including the GSP) and trade flows for products of interest to developing countries subject to restriction has also been undertaken and the secretariat has prepared a synthesis of suggestions for the application of differential treatment to developing country products in the field of quantitative restrictions. At its meeting towards the end of May, the Group had a preliminary exchange of views on certain aspects of export restrictions and examined further the question of quantitative restrictions including import prohibitions, covering certain points of interest to developing countries. The Group also took up export subsidies, domestic subsidies which distort trade, and countervailing duties.

16. Group 3(e) has carried out an analysis of recent changes in production, consumption and supply of and demand for certain agricultural products and will, as provided for by the Programme of Work, proceed at its next meeting to the identification of the problems which result for world agricultural markets and of their significance for an approach to the negotiation in the agricultural sector. The Group will also revert to the work on sanitary and phytosanitary regulations, and will, further, address itself to the tasks which it is to carry out in conjunction with other groups. In accordance with the decisions taken by the Group, the basic documentation relating to agricultural products is being up-dated and completed on a continuing basis, and is being re-issued in a consolidated form.

Textiles

17. The negotiations which were held in GATT with a view to reaching agreement on a multifibre arrangement on trade in textiles were successfully completed at the end of last year, and the "Arrangement Regarding International Trade in Textiles" came into force on 1 January 1974, to run for a period of four years. The objectives of the Arrangement are, *inter alia*, "to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share of them in world trade in these products". The Arrangement also sets up, within the framework of GATT, a Textiles Committee. At its meeting held in March 1974, the Textiles Committee established, effective 1 April 1974, the Textiles Surveillance Body which has important responsibilities for supervising the implementation of the Arrangement.

ACTION IN OTHER INTERNATIONAL ORGANIZATIONS RELEVANT
TO PART IV

United Nations General Assembly Special Session on Raw Materials and Development

18. At the sixth special session of the General Assembly held in April and May 1974, to discuss resources and development, two resolutions were adopted concerning "the Establishment of a New International Economic Order" and a "Programme of Action on the Establishment of a New International Economic Order", with a number of reservations by some delegations. The latter resolution includes a section covering emergency measures to mitigate the difficulties of the developing countries most seriously affected by recent economic developments.

19. Among the commercial policy measures referred to in the programme of action are those relating to the establishment of a link between the prices of exports of developing countries and prices of imports from developed countries, the setting-up of general principles on pricing policy for exports of developing country commodities, the refunding to developing countries of receipts from customs duties, taxes etc. levied by developed countries on developing country products, the extension of the GSP to agricultural products and preferential treatment for developing countries in the multilateral trade negotiations.

20. Certain proposals contained in the report of the Ad Hoc Committee of the special session have been referred to the Economic and Social Council for consideration. These include proposals for the establishment of a United Nations economic observatory, for a committee to survey world raw materials and work out an alert system to warn of impending shortages or surpluses, for getting an existing United Nations fund for exploring natural resources into operation, for a fertilizer fund to help the poorer countries and for studies of energy resources, other minerals and agricultural products.

UNCTAD

21. In accordance with the time-table for intensive ad hoc intergovernmental consultations on commodities in connexion with access to markets and pricing policy, meetings have so far been held during 1974 with respect to rice, citrus fruits, jute, oilseeds, oils and fats, hides and skins, manganese ore, phosphates, hard fibres, cotton and bananas. Meetings are scheduled to take place on tea, tobacco and grains (excluding wheat) in the coming months. With regard to agricultural items, these consultations are generally being held in collaboration with FAO, including where relevant, under the auspices of the intergovernmental commodity bodies of that organization. The meeting on cotton was held in collaboration with the International Cotton Advisory Committee.

International Coffee Agreement

22. The International Coffee Council decided to extend the International Coffee Agreement for a period of two years from 1 October 1973, but without the economic provisions contained in the 1968 Agreement. The Council instructed the Executive Board to establish a suitable programme for the negotiation of a new agreement that may cover a period beyond 30 September 1975. In this connexion, a Working Group for the Negotiation of a New Agreement has been established.

International Sugar Agreement

23. A United Nations Sugar Conference was convened by the Secretary-General of UNCTAD in May and September 1973 to negotiate an International Sugar Agreement to replace the Agreement which expired at the end of 1973. The conference concluded a new Agreement which contains no economic provisions but maintains the continuity of the International Sugar Organization for a period of two years from 1 January 1974 and provides a forum for discussion and the collection and dissemination of information. A sub-committee has been established by the Council of the Organization to study the bases and framework of a new International Sugar Agreement and to report to members not later than 31 December 1974.

International Cocoa Agreement

24. The International Cocoa Agreement negotiated under the auspices of UNCTAD entered provisionally into force on 30 June 1973.

OECD

25. On 30 May 1974, the Ministerial Council of the Organization for Economic Co-operation and Development adopted a declaration pledging, inter alia, to refrain from introducing new trade restrictions which would have the effect of curbing imports or of

artificially stimulating or restricting exports. This pledge by the twenty-four member nations of the OECD is to remain in force for one year.

OTHER COMMERCIAL POLICY DEVELOPMENTS

26. In accordance with the Treaty of Accession to the European Communities, the three new member States, viz the United Kingdom, Denmark and Ireland are aligning both most-favoured-nation and where applicable, preferential duties for third countries in their respective national tariff schedules to the rates in the Common Customs Tariff (CCT) of the European Communities by reducing in successive stages the difference between the rates in the national tariff schedules and the Community's CCT. The first alignment, resulting in the reduction by 40 per cent of such difference, was made by the new member States on 1 January 1974. The remaining alignments will take place in three stages, so as to reach the CCT rates by 1 July 1977. The enlarged Community has offered to negotiate possible association arrangements with Commonwealth countries in Africa, the Caribbean and the Pacific and negotiations are at present in progress with these and certain other countries in Africa. In the interim period however, and up to 31 January 1975 imports from the Commonwealth countries mentioned above and Associated African States and Malagasy are being allowed into the United Kingdom, Denmark and Ireland at the rates which applied prior to their accession where such rates are lower than the transitional rates.

27. Yugoslavia has requested a waiver from the provisions of Article I of the General Agreement in order to institute a system of tariff concessions in respect of a selected list of products in favour of the least developed among the developing countries (L/3999).

28. The Protocol Relating to Trade Negotiations Among Developing Countries has so far entered into force for eleven participating countries.¹ For the other five participating countries, it will come into effect in accordance with the provisions of paragraph 20 of the Protocol.² A special session of the Committee of Participating Countries was held in November 1973 to explore possibilities for further expansion of trade among developing countries. Another special meeting has been scheduled to take place on 12 June 1974.

¹Brazil, India, Israel, Republic of Korea, Pakistan, Spain, Turkey, Yugoslavia (11 February 1973), Tunisia (7 March 1973), Egypt (5 August 1973), and Chile (19 May 1974)

²Greece, Mexico, Peru, Philippines and Uruguay