

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/227

14 May 1975

Limited Distribution

Committee on Trade and Development

Twenty-Ninth Session

22 and 23 May 1975

BACKGROUND NOTE FOR REVIEW OF IMPLEMENTATION OF PART IV

Prepared by the Secretariat

1. In accordance with its terms of reference, one of the main tasks of the Committee on Trade and Development is to keep under continuous review the implementation of the provisions 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 Part IV. Accordingly, such a review was carried out by the Committee at its twenty-eighth session held in November 1974 on the basis of background material provided in documents COM.TD/W/217 and Addenda and COM.TD/W/218. Additional information on action taken by governments provided by delegations in the course of that meeting is contained in the Committee's report (L/4110). To provide a basis for a review of recent developments by the Committee at its forthcoming meeting, a summary of points of interest in connexion with the implementation of Part IV¹ is provided in the following paragraphs.

ACTION BY GOVERNMENTS

Tariffs

2. With the aim of promoting trade relations with developing countries, Austria has promulgated a Decree providing preferential tariff treatment to certain hand-made products. Annex A to the Decree lists some ninety tariff lines subject to duty-free treatment and Annex B lists a number of hand-made textile products falling within some thirty-five tariff lines for which the duty rates have been reduced by 50 per cent (COM.TD/96).

¹It may be noted that the agenda also provides an opportunity for members of the Committee to comment on the application of Part IV in relation to the objectives it is intended to serve.

Generalized System of Preferences (GSP)

3. Australia has enlarged the list of beneficiary countries to include Guinea Bissau and Mozambique (L/3982/Add.2 and 3). As of 1 January 1975, Austria has implemented the second stage of its GSP scheme in favour of developing countries (L/4108). A number of products falling within BTN Chapters 1-24 have been added and deeper tariff cuts for agricultural products already included have been provided. With regard to products in BTN Chapters 25 to 99, the exceptions have been reduced to the minimum possible level. Practically all the existing exceptions in the textiles sector - Chapters 50 to 62 and 65 - have been abolished. As of 27 December 1974, Canada, in addition to extending most-favoured-nation tariff treatment to Afghanistan, has also accorded beneficiary status to that country under its GSP (L/4027/Add.2).

4. The Generalized System of Preferences of the European Economic Community implemented as of 1 January 1975 (L/4161 and Add.1) contains a number of improvements including, inter alia, increased margins of preference for certain processed agricultural products and the elimination of GSP duties lower than 5 per cent for these items. For manufactures and semi-manufactures, improvements have been primarily concerned with the raising of ceilings, reductions in the number of sensitive products subject to tariff quotas and the provision of a tariff reduction of 60 per cent in respect of manufactures of jute and coir.

5. Effective 1 January 1975, Finland has included Malta among the beneficiary countries entitled to GSP treatment (L/3694/Add.4). Hungary has introduced certain improvements in its scheme of preferences, which entered into force on 1 January 1974. These improvements include a further reduction in preferential tariff rates, inclusion of additional products in the scheme and the enlargement of the list of beneficiary countries (L/4106). Effective 1 April 1975, Japan has introduced certain improvements to its GSP by including six additional items falling within BTN Chapters 1-24, granting a deeper tariff cut on homogenized composite food preparations and providing duty-free treatment for nickel powder and flakes. The administration of quota ceilings has also been improved. Sweden has, from 1 January 1975, also enlarged the list of beneficiary countries to include Bulgaria, Malta and Romania (L/3666/Add.5). The United States Trade Act 1974 has, inter alia, authorized the President to introduce a Generalized System of Preferences in favour of developing countries following the receipt of advice with respect to eligible items from the International Trade Commission of the United States.

Import restrictions

6. By Regulation (EEC) No. 1090/75 of the Commission dated 23 April 1975, modifications have been made to previous regulations relating to the import of certain beef and veal products into the EEC. The Regulation provides for the granting of import licences during the period June/September of specified quantities of meat of bovine

¹It will be recalled that in February 1974, the European Communities took emergency action restricting the import of certain meat from third countries (COM.TD/W/210 and COM.TD/W/218).

animals (02.01.A.II), meat and edible meat offals of domestic bovine animals (02.06.C.I) and other prepared or preserved meat or meat offal containing bovine meat or offal, excluding meat or offals of swine (16.02.B.III(b)1) provided an equivalent quantity has first been exported from the Community without the aid of an export refund. Provision is also made for the import during the period 15 May/30 September of certain live animals of the bovine species (01.02.A.II(b)).

7. Japan has, from 25 December 1974, removed restrictions on imports of integrated circuits (with not less than 200 elements in circuits) (BTN 85.21-2). Imports of integrated circuits with less than 200 elements in circuits had been liberalized in April 1973. As a result of the liberalization measure, the number of tariff headings subject to residual import restrictions in Japan has been reduced to twenty-nine (L/4142). Before the end of the current silk year in May 1975, it is expected that Japan will import an additional 15,500 bales (930,000 kgs) of raw silk through the Japan Raw Silk Corporation (JRSC).¹ This quantity will be imported from China, South Korea and Brazil in proportion to their previous exports.

8. As of 1 January 1975, the United States has abolished import quotas for sweetened chocolate, candy and confectionery which had been introduced on 1 January 1972 (L/4145). Effective 1 October 1974, the United States increased the annual tariff rate quota applicable to certain stainless steel flatware by 6 per cent. The increase was from 16.2 million dozen to more than 17.1 million dozen. Each country quota allocation has also been increased by 6 per cent (L/4080).

Import deposit scheme

9. For balance-of-payments reasons, Italy had introduced an import deposit scheme in May 1974 requiring a prior deposit equivalent to 50 per cent of the value of the goods cleared for home consumption. This scheme was terminated on 24 March 1975 (C/M/105).

Other developments of interest in relation to Part IV²

10. Acting under Article XIX of the General Agreement, Australia, increased duty rates as from 1 March 1975 on imports of costumes and robes containing wool, silk or man-made fibres (ex 60.05.100) and costumes and robes containing wool and

¹In order to stabilize raw silk prices, the Government authorized the Japan Raw Silk Corporation as the sole importer of raw silk, effective 1 August 1974 to 31 May 1975 (COM.TD/W/218).

²It may be recalled that in May 1974, the Ministerial Council of the OECD adopted a declaration pledging to refrain for a period of one year from introducing new trade restrictions which would have the effect of curbing imports or of artificially stimulating or restricting exports.

exceeding 56 cm in length (except for infants in arms, parts and fabric shaped for making garments (ex 61.02.110)). While "imports (of these items) at non-disruptive levels are admitted at pre-existing rates of duty, imports in excess of such levels attract additional duties at the rate of \$A 12 per kilogramme" (L/4162).

11. Also under Article XIX of the General Agreement, Australia has introduced quantitative restrictions on a number of items. Effective 1 January 1975, global quotas have been established for the importation of hot-rolled sheets and plates of iron or steel not exceeding 3.2 mm. in thickness and cold-rolled sheets and plates of iron or steel of a kind falling within tariff sub-item 73.13.1. The global quotas have been set at an annual level equivalent to 50 per cent of the average annual imports cleared for home consumption in 1972 and 1973 (L/4166). As of 1 February 1975, quantitative restrictions have been imposed for a period of one year on imports of completely assembled passenger cars and light commercial motor vehicles up to 2722 kgs. gross vehicle weight (L/4149). In addition, temporary import restrictions have been introduced on ophthalmic frames, sunglass frames and sunglasses. The restrictions are intended to limit imports of ophthalmic frames and sunglass frames to 75 per cent and of sunglasses to 85 per cent of the imports of these items during 1973-74 (L/4169).

12. Canada has extended the existing Article XIX global quota measures relating to imports of certain woven and knitted fabric shirts to the end of November 1975, the quota level being increased by 6 per cent (L/4143).

13. For balance-of-payments reasons, the Government of Finland introduced a system of import deposits on 24 March 1975. The import deposits have been fixed at different rates up to a maximum of 30 per cent of the import price of goods and may be authorized until the end of 1976. The non-interest bearing deposit, collected in connexion with the normal customs clearance procedure, is refunded to the importer upon application after a period of six months or earlier if the Government so decides (L/4165 and Add.1).

14. Japan has indicated that it has taken temporary and emergency action to cope with the domestic market situation in the bovine meat sector. The granting of import licences for bovine meat (BTN 02.01.1) was deferred for the fiscal year April 1974 to March 1975 (L/4120 and Corr.1).

15. Effective 1 April 1975, New Zealand has taken action under Article XIX to control imports of (a) woven polyester fabrics, other than tyre cord fabrics and such fabrics when declared by a manufacturer for use by him in making neckties; (ex 51.04.069; ex 56.07.069); and (b) warp knitted curtain fabrics and warp knitted dress net, other than quilted (ex 60.01.028; ex 60.01.029; ex 60.01.049; ex 60.01.059). Imports of these items have been set at a level equal to 60 per cent in volume terms of 1973/74 imports. Provision has been made for the issue of additional licences to end-user manufacturers where needed (L/4172).

RECENT DISCUSSIONS AND DEVELOPMENTS IN GATT

Multilateral Trade Negotiations

16. A summary of the main activities of the Trade Negotiations Committee during 1974 and of the work of the technical Groups it had established was provided in document COM.TD/W/218 which was before the November 1974 meeting of the Committee on Trade and Development. At its meeting in February 1975, the Trade Negotiations Committee established groups to organize and conduct negotiations in respect of tariffs, non-tariff measures, tropical products and agriculture. Groups were also established to examine the adequacy of the multilateral safeguard system and the possibilities for using the sector approach as a complementary technique in the negotiations. The above-mentioned groups held a first round of meetings in the course of March-April 1975. Discussions and developments during these meetings are briefly outlined below. In this respect, it was again stressed that the negotiations would be guided by the principles of the Tokyo Declaration including, inter alia, the application of differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of the negotiations where this is feasible and appropriate.

Group "Tropical Products"

17. At its March meeting, the Group "Tropical Products" agreed on the guidelines for the organization of the negotiations on tropical products. These provide, inter alia, for participating developing countries to submit their initial request lists for concessions by 16 May 1975, it being understood that those unable to meet that target date would submit their request lists as soon as possible thereafter. Provision was also made for the regular review of progress in the negotiations on tropical products, the examination of how special and priority treatment may be ensured in this sector and, where and as appropriate, for the possibility of multilateral action to attain stable, equitable and remunerative prices for tropical products taking into account work in other fora. At its next meeting scheduled for the period 16 to 20 June, the Group is expected, among other things, to review the status of request lists and consider arrangements for the presentation and possible circulation of offers.

Group "Tariffs"

18. The Group "Tariffs" was established to draw up a tariff negotiating plan of as general application as possible, taking into account the views of the developing countries, particularly with regard to the GSP. At its meeting during March, the Group addressed itself to the various elements of a possible tariff negotiating plan. In the light of the discussion, the Group agreed to pursue this matter further at its next meeting taking into account, inter alia, the interests of developing countries and the questions of improvements to the Generalized System of Preferences.

19. With regard to base rates, the Group agreed that the negotiations should be conducted on the basis of the GATT bound rates and at the request of the Group the secretariat has prepared tabulations showing the status of bindings for products in BTN Chapters 1-99 for countries included in the Tariff Study. The question of unbound rates and determination of the unit of reference for the negotiations is also expected to be taken up by the Group at its next meeting. With regard to the reference year or years for the collection of statistics, the Group agreed that the secretariat would prepare comparative tabulations based on 1970-72 data and for 1973, when such information became available.

Group "Agriculture"

20. The Group "Agriculture" held three meetings during the period March/May 1975. It noted that matters of a global nature, including tariffs and non-tariff measures affecting agriculture, would be taken up in a number of contexts within the overall framework of these negotiations. In such cases, the Group and its sub-groups will concern themselves with the agricultural aspects of these matters and will treat them in conjunction with the work of the "Tariffs" and "Non-Tariff Measures" Groups. The results of this work will be communicated to other groups concerned with a view to arriving at the harmonious and balanced development of all the elements subject to negotiation in furtherance of paragraph 8 of the Tokyo Declaration.

21. The Group agreed, *inter alia*, to establish negotiating sub-groups for grains, dairy products and meat (including live animals) to deal with all the elements relevant to trade in these products. It was understood that other products which might lend themselves to multilateral solutions might be taken up at a later stage. The sub-group on grains is scheduled to meet in May and the sub-groups on meat and dairy products during June. The Group itself is scheduled to meet again on 8 July.

Group "Sector Approach"

22. The Group "Sector Approach" met in April to carry out an examination of the possibilities for the co-ordinated reduction or elimination of all barriers to trade in selected sectors, as a complementary technique. It was generally agreed that the objective of the sector approach should be to achieve a measure of trade liberalization going beyond the results which might be provided by the general approaches to negotiations on tariffs and non-tariff measures. In order to consider the possibilities offered by the sector approach the secretariat was asked to assemble relevant data with respect to the ores and metals sector as defined in the Tariff Study with the inclusion of alumina. The Group agreed that the secretariat would undertake a more detailed examination of the implications of

the sector approach for developing countries, including the identification of possible sectors of interest to developing countries, the question of differentiated treatment and the implications of the sector approach for the Generalized System of Preferences. The next meeting of the Group is scheduled for the week commencing 30 June.

Group "Safeguards"

23. The Group "Safeguards" also met in April 1975 to carry out an examination of the adequacy of the multilateral safeguard system considering particularly the modalities of application of Article XIX, with a view to furthering trade liberalization and preserving its results. There was wide agreement that the work of the Group should be carried forward in two phases: (a) examination of the operation of the present Multilateral Safeguard System, and (b) if this reveals inadequacies, examination of what elements should be built into a possible new or revised system. In order to facilitate the consideration of these matters, the Group has requested the secretariat to prepare notes on a number of issues for consideration at its meeting during the week commencing 30 June.

Group "Non-Tariff Measures"

24. The Group "Non-Tariff Measures" met during March when it was agreed that negotiations should be commenced initially on four groupings of non-tariff measures dealing with quantitative restrictions and import licensing, subsidies and countervailing duties, technical barriers to trade and customs matters. It was understood that other measures might be added to the initial list and that no measure was being excluded from the negotiations. The Group established four sub-groups to deal with each of the above categories. To assist the Group in its further work the secretariat has been asked to prepare, inter alia, a background note bringing together the available and relevant information on government procurement, and a paper setting out the points made and the procedures followed in previous item-by-item GATT negotiations for consideration by the Group at its next meeting in connexion with negotiations on non-tariff measures which may not be dealt with multilaterally.

Sub-Group "Quantitative Restrictions"

25. The Sub-Group met in April to commence negotiations on quantitative restrictions (including import prohibitions and so-called voluntary export restraints) and import licensing procedures. The Group discussed possible approaches to negotiations in this area with a view to working out solutions. It decided that, as a first step, interested participating countries should undertake bilateral or plurilateral consultations in order to elucidate,

inter alia, whether restrictions are maintained in accordance with the General Agreement and also to elucidate the economic and social circumstances underlying particular restrictions in importing countries. The results of these consultations will be considered at the next meeting (September 1975) of the Sub-Group, when additional procedures for negotiations such as specific requests and offers or general formula or formulae of automatic application will be considered, taking into account specific proposals for negotiations on quantitative restrictions made by developing countries.

26. As regards import licensing procedures, the Sub-Group had a preliminary exchange of views on the draft texts for solutions which had been elaborated on "Automatic Import Licensing" and on "Licensing to Administer Import Restrictions". The Sub-Group agreed that interested delegations should submit to the secretariat any specific proposals which they may have regarding the texts so that they could be considered at the next meeting of the Sub-Group.

27. At the time of preparation of this note, the Sub-Group "Technical Barriers to Trade" was in session. The sub-groups dealing with customs matters and subsidies and countervailing duties are scheduled to meet over the coming weeks.

Expansion of trade among developing countries

28. For the purpose of Item 4 of the provisional agenda dealing with this subject, a summary note is being circulated as document COM.TD/W/228.

29. With a view to promoting co-operation among developing countries, the delegation of Argentina indicated in a note circulated as COM.TD/W/223 that in accordance with the general principles of Part IV and in particular with Article XXXVII:4, Argentina has accorded preferential tariff treatment to a number of products originating in Bolivia, Ecuador, Paraguay and Uruguay within the framework of the Latin American Free-Trade Association. Separate credit lines have also been opened to facilitate expansion of trade with a number of developing countries in the Latin America region and preparations are under way for the granting of new credit lines to other developing countries in that region. In addition, financial assistance has been offered to Egypt for the import of goods from Argentina.

Lomé Convention

30. The representative of the European Communities has informed the GATT Council that the Lomé Convention was signed on 28 February 1975 between the European Communities and forty-six developing countries in Africa, the Caribbean and the Pacific. This Convention, operative for a five year period, replaces the arrangements previously in force under the Conventions of Yaoundé and the

Arusha Agreement, which expired at the end of January 1975. It covers trading arrangements, aid, industrial co-operation and development and a scheme for the stabilization of export earnings of ACP countries from exports of certain primary commodities as well as virtually free entry for all ACP exports into the Community market. The Communities exports to the ACP countries are to receive treatment not less favourable than most-favoured-nation treatment. The commercial provisions will be implemented on 1 July 1975, pending the completion of the parliamentary processes for full ratification. The GATT Council has agreed to revert to this matter as soon as the text of the Convention has been made available to the CONTRACTING PARTIES.

ACTION IN OTHER INTERNATIONAL ORGANIZATIONS
RELEVANT TO PART IV

UNCTAD

31. At its meeting in February 1975, the UNCTAD Committee on Commodities, inter alia, assessed the results of the intensive ad hoc intergovernmental consultations on commodities and addressed itself to proposals for an integrated programme for commodities. In connexion with its future work, the Committee called for the further elaboration of this programme by the secretariat. The Committee also discussed matters related to access to markets and pricing policy, marketing and distribution systems, diversification and synthetics and substitutes.

32. The UNCTAD Trade and Development Board, at its March meeting, carried out the mid-term review and appraisal of the International Development Strategy.

International Tin Agreement

33. As the fourth International Tin Agreement is due to expire in June 1976, a United Nations Tin Conference has been scheduled to take place under the auspices of UNCTAD during May/June 1975 for the purpose of considering a new International Tin Agreement.

International Cocoa Agreement

34. The International Cocoa Agreement which was concluded in October 1972 and entered into force in June 1973 is due to expire on 30 September 1976. The Cocoa Council decided at its meeting in March 1975 that the Agreement should be renegotiated and that there should be a renegotiating conference under the auspices of UNCTAD in September/October 1975. In preparation for such a conference, the Council has established a Preparatory Committee to prepare a draft of a Second International Cocoa Agreement.

International Coffee Agreement

35. At its twenty-fifth session in September 1974, the International Coffee Council adopted a resolution providing for the continuation of the International Coffee Agreement 1968 as extended until 30 September 1976. A working group on the negotiation of a new agreement was established for the purpose of submitting a draft text of a new Agreement to the Council for consideration in June 1975. The Working Group met in April 1975 to discuss a number of proposals in the context of the draft text including, inter alia, allocation of export quotas, a mechanism for controlling the supply of coffee, a control system for stocks and a minimum price.

F.A.O.

Oilseeds, oils and fats

36. At the March 1975 meeting of the Inter-Governmental Group on Oilseeds, Oils and Fats, consideration was given, inter alia, to the short-term outlook and international policy action for this group of commodities as well as to certain medium and long-term issues. As regards medium and long-term trade problems, the need for taking effective and early action to ensure price stability and to improve market access was particularly stressed by delegations.

Bananas

37. The Inter-Governmental Group on Bananas met during the period 29 April-3 May. Among other things, the Group decided to establish a Working Party to try and develop a mechanism to improve the position of the world banana economy. Emphasis was also given by some delegations to the need for a substantial improvement in access to markets for bananas.