

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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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. The Committee on Trade and Development, in accordance with its terms of reference, is required to keep under continuous review progress made in the implementation of Part IV of the General Agreement. In the light of this requirement, the Committee agreed to undertake, at least once a year, a full review on the basis of notifications submitted by contracting parties (COM.TD/24, paragraph 10). While the last major review was undertaken by the Committee at its thirty-second session in November 1976, a mid-term review of the implementation of Part IV was carried out at the June 1977 session of the Committee on the basis of background information provided in secretariat document COM.TD/W/254. Further information provided by delegations during the latter meeting is set out in paragraphs 7-13 of the note on the Committee's proceedings (COM.TD/99).

2. Notifications received from contracting parties in response to GATT/AIR/1393 for consideration at the forthcoming meeting have been reproduced in COM.TD/W/261 and addenda. In addition, certain actions taken by governments in the context of Part IV, including developments in other international organizations, are summarized in the following paragraphs on the basis of information available to the secretariat. The details provided below, in particular under the heading "Other developments of interest in relation to Part IV", may not be exhaustive. It may be noted that only measures actually implemented and not those still under consideration have been summarized. Furthermore, certain actions which have been taken in the field of textiles have not been recorded, even when it has not been clear whether the action has been taken within the framework of the Textiles Agreement or outside it. Delegations may also wish to refer to summaries of discussions in the GATT Council on various measures, including restrictive measures, etc., covered by the relevant documentation, as some of the measures taken up may have some bearing in connexion with a review of the implementation of Part IV. Also of relevance to Part IV are developments in the multilateral trade negotiations where the main thrust of GATT activities are presently taking place. A separate note is being circulated on this subject.

3. The information contained in this note is supplementary to that in COM.TD/W/261 and addenda - "Action by governments relevant to the provisions of Part IV". Consequently, to have a more comprehensive view of the situation in relation to the implementation of Part IV, the two papers need to be read in conjunction.

#### COMMERCIAL POLICY MEASURES

##### Tropical products

4. In the course of 1977, m.f.n. concessions resulting from negotiations in the framework of the Group "Tropical Products" were implemented by Australia, Canada, EEC, Finland, Japan and Sweden. GSP contributions were put into effect by Austria, Canada, EEC, Japan, Finland, Norway, Sweden and Switzerland. Australia and New Zealand had already implemented certain GSP contributions in the course of 1976. Certain non-tariff measures actions were also taken by the EEC, Finland and Japan.

##### Tariffs

5. Australia has, from 4 May 1977, implemented m.f.n. tariff reductions on a number of items which, among others, include lactose, lactose syrups (17.02.1), chalk (25.08), casein etc. (35.01.1), other combustible preparations and products (36.08), goods of latex and of synthetic rubber (40.06.6 and 40.06.7).

6. On 12 May 1977, Canada announced temporary customs duty reductions on a large number of products which include water phase essences of citrus fruits (15212-1), sheet, strip or plate of titanium (34745-1), stainless steel flats, bars, rods etc. (37935-1); strip of iron or steel (38260-1); silver plated or nickel plated copper wire (40160-1); engines, axle assemblies etc. (42768-1); rotary natural gas engines (42840-1); welded steel tubing aluminized (43867-1); polyethylene type sheet (42875-1); woodgrain and leathergrain embossed polyvinyl chloride film (43878-1); shock resisting thermal glass ceramic tops (44301-1); forced draft gas burner units (44302-1); electric motors (44511-1); on-load tap changers (44517-1); transistors and other semi-conductor devices (44579-1); lambskin, sheepskin or pigskin leathers (60450-1) etc.

7. The European Economic Community has suspended the autonomous Common Customs Tariff duties with respect to certain herrings intended for the processing industries from 21 July to 31 December 1977. The volume of the tariff quota for 1977 for unwrought magnesium falling within sub-heading 77.01A of the Common Customs Tariff has been increased from 5,500 to 9,800 tonnes.

Generalized System of Preferences (GSP)

8. Czechoslovakia has extended its GSP scheme to include a number of additional beneficiary countries (L/3703/Add.2).

Import measures

9. Japan recently announced a series of measures which it estimates could add at least \$700 million to its import bill by the end of 1977. The measures, among others, envisage the expansion of import quotas relating to twenty-seven items, mostly agricultural products, including wheat, coal, hides and skins, oranges, marine products. Other measures reported include the despatch of import missions overseas and the provision of exhibition space in Japan for displays of imported products.

10. Effective 18 March 1976, New Zealand terminated its Article XIX action on certain polyester fabrics (for details see L/4172/Add.5).

11. Norway has announced that until further notice, imports of cabbage, cauliflower and brussels sprouts, falling under CCCN 07.01 will not be subject to import licensing.

12. The United Kingdom issued further supplementary quotas of 4,000 and 1,800 tonnes for imports of fresh bananas from the Dollar Area valid until 30 September 1977.

13. The United States removed quota restrictions on imports from India of hand-loom products such as garments. In recent months, the United States International Trade Commission has reported "negative finding of injury" to the President with respect to casual and sport headwear, fresh cut flowers, low-carbon ferro-chromium and cast-iron pipe and tube fittings (L/4545, L/4542, L/4527, L/4563). In the case of cast-iron stoves, stove parts and fireplace grates, the Commission was equally divided. In the event of such a tie vote, the President may accept either the affirmative or the negative determination of the Commission's finding (L/4538).

Import deposit scheme

14. The New Zealand import deposit scheme, introduced in February 1976 for a period of twelve months and subsequently extended up to 2 August 1977, has been extended for a further period of six months to February 1978 (L/4536).

Other developments of interest in relation to Part IV

15. Australia has introduced a number of temporary measures affecting imports. These include the continuation of Article XIX action providing for a system of global import licensing of domestic electrical chest freezers of up to 350 litres capacity. The new quota initially available for imports in the six-month period up to 9 February 1978, has been set at 10,000 units (L/4387/Add.1). From 19 October 1977, increased tariff duties on most imports of motor vehicle tyres have been introduced. The duty rate of 40 per cent for all passenger vehicle radial tyres and all truck and bus tyres replaces the previous general tariff of 25 per cent and the preferential tariff rate of 20 per cent. The import duties on rain umbrellas (tariff items 66.01.100) have been raised by the addition of a temporary duty to 30 per cent and \$A 0.80 each (general rate) and 6 per cent and \$A 0.80 each (preferential rate).
16. Australia has extended the validity period of quota allocations for a period of six months in respect of footwear (1 January to 30 June 1978), brassieres (1 July 1977 to 30 June 1978) and other clothing and textiles (1 March to 31 August 1978). It was indicated that these supplementary quotas would be 20 per cent less than those currently in force, that all quotas would be transferable, and that for all quotas allocated on a historical basis, a moving phase period would be used. Additional duties for all goods imported in excess of the permitted quota would remain at present levels. With regard to brassieres, the present rate of \$A 2 per garment would not now be phased down, and in respect of footwear, the current 10 per cent interchangeability provision between leather and non-leather footwear licences would not apply to supplementary quota allocations and the provision would not apply after 31 December 1977. In addition, the threshold price for high price footwear is being raised from \$A 18 f.o.b. per pair to \$A 21 per pair and the current provision allowing anticipation of quota will be cancelled. The Australian Government has authorized the imposition of an additional temporary specific duty of \$A 1.50 per m<sup>2</sup> of tiles on certain unmounted coloured (except white) square and rectangular glazed tiles not thicker than 7 mm.
17. The import duty applicable to orange juice from 1 July 1977 to 30 June 1978 has been increased to 65 per cent; the existing quotas on orange juice and orange juice concentrates were terminated on 30 June 1977 (tariff items 20.07.211 and 20.07-219). For the period from 1 July 1977 to 30 June 1978, a tariff quota of 10,000 cubic metres has been introduced for the importation of thick plywood exceeding 5.5 mm. but not exceeding 23 mm. in thickness. The duties for imports within the quota remain unchanged but for imports in excess of the quota level the following rates will be applicable. General rate: 44 per cent, and \$A 0.50 per square metre for each mm. in thickness in excess of 5.5 mm; or if higher \$A 0.0565 per square metre and \$A 0.5102 per square metre for each mm in

thickness in excess of 5.5 mm. Preference rate: 24 per cent and \$A 0.50 per square metre for each mm. in thickness in excess of 5.5 mm; or if higher \$A 0.0303 per square metre and \$A 0.5055 per square metre for each mm. of thickness in excess of 5.5 mm. As of 1 August 1977, tariff quotas have been established for imports of chain hoists, chain pulley tackle and chain winches falling under tariff item 84.22.2 of the Australian Customs Tariff. The tariff quotas at the existing rates of duty have been set at 3,000 units for the six-month period ending 31 January 1978 and at 4,500 units for the six-month period ending 31 July 1978. Imports over and above the limits set will attract a temporary additional duty of 50 per cent ad valorem. With retrospective effect from 1 May 1977, Australia has introduced an annual quota of 5.1 million garments from all sources applicable to children's track suits, playsuits, rompersuits and the like garments falling within tariff item 60.05.19. The present general rate of duty is 34 per cent and the preference rate is 24 per cent. Imports in excess of the quota limits will attract a rate of \$A 12.00 per kg. in addition to the appropriate rate of duty.

18. Effective 17 July until 31 December 1977, importation into the European Economic Community of jute yarn originating in the Kingdom of Thailand (NIMIXE codes 57.06-11, 57.06-15 and 56.06-30) has been made subject to a Community surveillance regulation.

19. The surcharge on the import of women's panty hose (tights) which was introduced by Finland for a period of six months commencing from 27 December 1976, has been extended for a further period of one year to 26 June 1978. (L/4461/Add.1). The list of imports which must be paid for in cash before release by the Finnish Customs Authorities has been amended by exempting certain goods from prepayment and adding certain other items to the list of goods subject to prepayment.

20. Effective 18 May 1977, Japan has introduced a prior permission system for the import of silk yarn (CCCN 50.04; ex 50.07) and knitted or crocheted fabric made of silk (CCCN ex 60.01-1-(4))(L/4509).

21. With effect from 23 July 1977, the United Kingdom has introduced quotas for the import of portable monochrome television sets from the Republic of Korea (tariff item ex 85.15). The quotas for 1977 and 1978 have been fixed at 35,000 units for each year.

22. An agreement between the Government of the United States and the Government of Korea limiting exports of certain footwear from the Republic of Korea to the United States was signed on 21 June 1977. Restraint levels have been fixed at 33 million pairs for the first year; 36.5 million pairs for the second year; 37.5 million pairs for the third year; and 38 million pairs for the fourth year. The United States has notified that these temporary restrictions have been introduced in accordance with the provisions of Article XIX and with the full agreement of the Government of the Republic of Korea (L/4525). In July 1977, the United States notified the GATT that it had decided to institute a monitoring system on imports of colour television receivers into the United States, reserving the authority to impose unilateral import restraints if certain conditions were met. The notification explained that this action was not at present a withdrawal of concessions or suspension of United States GATT obligations and stated that should the Government of the United States determine to take such action pursuant to the presidential proclamation, the Government of the United States would notify the CONTRACTING PARTIES and provide affected contracting parties with the opportunity to consult under Article XIX. (L/4485 and Add.1).

ACTIONS IN OTHER INTERNATIONAL  
ORGANIZATIONS RELEVANT TO PART IV

FAO

23. The second session on May/June 1977 of the Working Party on the Elements of an International Banana Agreement established by the Intergovernmental Group on Bananas reaffirmed that bananas were susceptible to the application of an international agreement and that the basic elements of such an agreement should be the establishment of production and export goals compatible with world banana requirements. Banana exporting countries are expected to consult on the elements of an export quota agreement and on ways and means for setting individual quotas. In the light of progress in this respect, the FAO secretariat is expected to elaborate a working draft of a possible international agreement. The question of access to markets was raised in relation to a number of the issues under discussion in the Working Party.

24. The Working Party of Tea Exporting Countries established under the Intergovernmental Group on Tea discussed in September 1977 possible measures in respect of the elements of an International Tea Programme. At the fifth session of the Intergovernmental Group on Tea, in October 1977, these measures following endorsement by the Sub-Group of Exporters, formed the basis of discussion. The Intergovernmental Group agreed that the secretariats of FAO and UNCTAD should undertake, as speedily as possible, an in-depth and comprehensive analysis of the feasibility of stocking arrangements for tea. Agreement was also reached amongst

other points, on the desirability of a gradual elimination of tariff and non-tariff barriers to trade in tea, with particular reference to those which affected the importation of packaged tea and tea products from developing countries. Some delegations referred to the progress that had already been made in this regard in developed importing countries, but noted at the same time that work was still continuing under the multilateral trade negotiations in GATT which they considered was the appropriate forum for action on this question.

#### International Cocoa Agreement

25. At its fourth special session, in September 1977, the International Cocoa Council decided to increase as from 1 October 1977 the price range applicable under the International Cocoa Agreement. The minimum price was raised from US\$0.39 to 0.65 per pound and the maximum price from US\$0.55 to US\$0.81 per pound.

#### International Coffee Agreement

26. A proposal by a number of Latin American coffee producers concerning the desirability of creating a fund to stabilize prices of coffee was among the matters discussed at the thirty-first session of the International Coffee Council in September 1977. With a view to the implementation of Article 51(4) of the International Coffee Agreement 1976, which concerns international stocks, the Council decided to establish a Study Group to examine proposals and suggestions from Members bearing in mind the situation of the supply and demand for coffee as well as the objectives and provisions of the Agreement. The Study Group is expected to report on any measures which might be considered practicable and feasible in relation to stocking arrangements in accordance with the provisions of Article 51 of the Agreement, including their legal, administrative and financial implications.

#### Fifth International Tin Agreement

27. At the sixth session of the International Tin Council in July 1977, increases in the floor and ceiling prices, to M\$1,200 and M\$1,500 per picul respectively, for the operation of the buffer stock, were agreed. In pursuit of the possibility under the Agreement of consuming countries making voluntary contributions to enlarge the buffer stock, a number of countries, including the United Kingdom, France, Canada, the Netherlands, Belgium/Luxembourg and Denmark, have pledged additional cash contributions to the buffer stock. The United States Government has announced its intention to make an additional contribution in the form of tin metal, subject to approval under United States constitutional procedures.

International Wheat Council

28. The main item discussed by the International Wheat Council at its eightieth session, in June 1977, was the question of future action in relation to the International Wheat Agreement, 1971. The Council affirmed its intention to take all necessary steps for the active preparation of a new international arrangement. The Preparatory Group has subsequently met, in late September/early October, and is scheduled to meet again in early November.

UNCTAD

29. The Trade and Development Board, at the first part of its seventeenth session, in August/September 1977, considered, inter alia, the interdependence of problems of trade, development finance and the international monetary system, trade relations among countries having different economic and social systems and matters requiring action arising from or related to reports and activities of its subsidiary and other bodies. In relation to the integrated programme for commodities, it approved a resolution urging all governments participating in the negotiations on a common fund and in preparatory meetings and negotiations on individual commodities to participate more effectively and decisively.

30. The first part of the ninth Special Session of the Trade and Development Board, in September 1977, agreed on a provisional agenda for the second part of the ninth session to be held in March 1978 and decided on the mandate for the second meeting of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries, scheduled for December 1977.

31. The eighth session of the Special Committee on Preferences, in June/July 1977, reviewed the various GSP schemes and requested the Secretary-General of UNCTAD to make, after appropriate consultations, proposals with respect to reviewing procedures for consultations on individual schemes. In the course of the consideration of rules of origin, a number of preference-giving countries indicated their intention to introduce in 1978 cumulative origin treatment for regional economic groupings.

32. The Committee on Manufactures at its eighth session, in July 1977, discussed a number of matters relating to trade in manufactures, including developments and issues in the multilateral trade negotiations of particular concern to developing countries, adjustment assistance and questions relating to industrial development and trade co-operation.

33. The Ad Hoc Intergovernmental Group of Experts on Tungsten, established to examine and assess proposals for the stabilization of the world tungsten market, met in July 1977. It agreed to undertake an in-depth examination of the various proposals before the Group on a possible framework for an international arrangement to increase stability in the tungsten market. It also agreed on a number of areas of analysis in relation to tungsten that would be undertaken by particular governments.

Integrated programme for commodities

34. The Ad Hoc Intergovernmental Committee at its third session, in July 1977, adopted a schedule of meetings under the integrated programme for commodities for the remainder of 1977 and the first months of 1978. It also reviewed progress made under Resolution 93(IV) and agreed on a resolution urging governments to move more decisively towards appropriate action on individual commodities within the deadlines set by Resolution 93(IV) and to implement certain procedural changes in this respect.

35. The second Preparatory Meeting on Rubber, held in June 1977, agreed on the setting up of an Intergovernmental Task Force to consider in greater detail and to assess the specific elements of a possible commodity agreement for natural rubber and other factors relating to natural rubber as already identified by the Intergovernmental Working Group in its report, together with any other proposals, in order to make concrete recommendations on them.

36. When it met in October 1977, the Task Force was able to discern clear directions on which consensus may be considered possible and practicable, including, inter alia: a pure international buffer stock as the instrument of price stabilization or any international buffer stock system supported by supply rationalization measures as a contingency mechanism (the size of the buffer stock should be such as to ensure its effectiveness as a price stabilization mechanism); and a stabilization price range which would be remunerative to producers, fair to consumers, ensure adequate supplies, and be wide enough to serve the purposes of the possible agreement. It was agreed that progress in achieving a greater understanding, as well as additional discussions at the next meeting of the Task Force, scheduled for December, should enable the Task Force to make concrete recommendations to the Third Preparatory Meeting.

37. The Preparatory Meeting on Manganese, in June 1977, agreed that it was necessary to identify specific problems relating to the production and marketing of manganese as a preliminary step to a future meeting of both consumers and producers.

38. The Preparatory Meeting on Cotton, held in June 1977, decided to continue its work at expert level. The experts are expected to consider and recommend to a subsequent session of the Preparatory Meeting on Cotton appropriate measures and techniques required to achieve the objectives of Resolution 93(IV) with respect to cotton.

39. The Preparatory Meeting on Vegetable Oils and Oilseeds decided, when it met in June/July 1977, on a list of questions, relating, inter alia, to national stocking policies, compensatory financing, research and development and market intelligence, that it would consider further at its second session. Regarding market access, the Meeting recommended that, within the context of the multilateral trade negotiations, all efforts should be made to eliminate or progressively reduce existing tariff and non-tariff barriers in the field of vegetable oils, oilseeds and oilseed products and that developed countries make significant efforts to extend and improve the GSP.

40. The Preparatory Meeting on Jute and Jute Products, at its fourth session, in July 1977, considered and approved the recommendations of the Third Preparatory Meeting, held at expert level, relating to a programme of action on jute and jute products. The meeting decided to set up an Intergovernmental Working Group on Jute and Jute Products with the task of finalizing recommendations on measures on which further agreement could be reached and preparing draft proposals on the elements of an international arrangement or arrangements on jute and jute products. Regarding market access, the Preparatory Meeting recommended that within the context of the multilateral trade negotiations and existing bilateral arrangements, all efforts be made to eliminate or reduce progressively the existing tariff and non-tariff barriers in the field of jute and jute products, and also that developed countries make significant efforts to extend and improve the GSP.

41. The Intergovernmental Group of Experts on Copper, established on the recommendation of the Second Preparatory Meeting on Copper to identify the possible elements of an international arrangement on copper and to recommend such other measures as it might consider necessary, met in August 1977. The Group agreed on a number of studies that should be carried out.

42. The Preparatory Meeting for a United Nations Conference on Olive Oil, scheduled for March/April 1978, was held in September 1977. The meeting considered the operation of the International Agreement on Olive Oil and proposals for the extension or renewal of the Agreement.

43. The second Preparatory Meeting on Hard Fibres met at expert level in October 1977 with the task of preparing and recommending to the third Preparatory Meeting an action programme on hard fibres. Among other things, the meeting considered that efforts to promote access to markets for sisal and henequen and their products should be intensified in the relevant fora.

#### United Nations Sugar Conference

44. The United Nations Sugar Conference reached agreement at its resumed session, in September/October 1977, on the text of a new International Sugar Agreement. The Agreement aims to stabilize the world market for sugar within a price range of US\$0.11-0.21 per lb., through a combination of export quota and stocking mechanisms. The Agreement remains open for signature until 31 December 1977 and will come into force either definitively or provisionally on 1 January 1978, or any date within the following six months, after acceptance or notice of provisional application by the required proportions of importing and exporting countries.

#### World Food Council

45. The World Food Council, at its third ministerial session in Manila in June 1977, adopted a programme of action directed towards eliminating hunger and malnutrition. The Council recommended a number of measures in respect of food production, food security, food aid, human nutrition and trade, and recommended that governments and international agencies act on them as matters of the highest priority. In order to improve the contribution of trade to the solution of food problems, the Council recommended that all countries, particularly developed countries, make serious efforts to stabilize, liberalize and expand world food trade. It further recommended that countries participating in the multilateral trade negotiations reinforce their efforts to provide developing countries with increased possibilities for access to developed country food and agricultural markets and an improved framework for the conduct of world trade. The Council also recommended that the negotiation of the UNCTAD integrated programme for commodities be speedily concluded, with particular reference to foodstuffs.

#### OECD

46. In June 1977, at a meeting of the OECD Council at Ministerial level, OECD member countries, with the exception of one member country which reserved its position, renewed, for a further year, their "trade pledge" of 30 May 1974. They agreed that full use should be made of the existing possibilities for consultation in order to find and implement multilaterally acceptable solutions to trade problems, whether industrial or agricultural, in a manner which would take into account the interests of all concerned. In the case of sectoral problems, every effort should be made to identify such problems before they assumed critical proportions and to proceed to consultations in their regard, taking into consideration, inter alia, structural changes in the world economy. The Ministers re-affirmed that it was essential to maintain an open and multilateral trading system as a basic element in the overall approach to the economic problems with which their countries were confronted and stressed the importance of giving impetus to the multilateral trade negotiations with the objective of making substantive progress in key areas in 1977, and achieving agreement over the range of issues as rapidly as possible.

World Bank/IMF

47. At the thirty-second Annual Meetings of the Board of Governors of the World Bank and the IMF, in September 1977, the primary focus of attention was the slow pace of recovery in the world economy. During the discussion, many speakers expressed deep concern over current pressures for more restrictive trade policies. Immediately prior to the Annual Meetings, the Interim Committee of the Board of Governors on the International Monetary System met; in a communiqué, the Committee, inter alia, reaffirmed its view that tendencies towards protectionist trade policies were unacceptable from an international point of view and should be strongly resisted. In this connexion, it stressed the importance it attached to the successful outcome of the current multilateral trade negotiations in Geneva, and to the early conclusion of agreements that would benefit all countries, in particular developing countries.

48. Shortly before the Annual Meetings, the Executive Committee of the IMF had adopted a decision to establish a supplementary financing facility in the Fund. The purpose of the new facility is to enable the IMF to provide supplementary financing in conjunction with the use of the Fund's ordinary resources to members facing serious payments imbalances that are large in relation to their quotas. Commitments by governments or their institutions to lend to the IMF to support the facility have been made by industrial countries and oil-exporting countries and total over US\$10 billion.