

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## FUTURE WORK OF THE COMMITTEE

### Note by the Secretariat

1. At the last session of the Committee, a number of delegations referred to the need for the Committee to commence a review of its activities, in anticipation of the conclusion of the MTN, in order to consider what shape future work might take. In this connexion, it was suggested, among other things, that attention should be given to ways and means of dealing effectively with the continuing trade problems of developing countries, other than or in addition to periodic large negotiating rounds. To this end, members of the Committee might wish to focus not only on the review function of the Committee with respect to the implementation of Part IV but also on its rôle as a forum for delegations to discuss proposals and issues, initiate studies and analysis of problems and promote co-operative action for their solutions.
2. While work is well advanced in many areas of the multilateral trade negotiations, the possible shape of the final package likely to emerge in certain important areas, such as in the context of the work of the Group "Framework" for example is still unclear. Any discussion of the Committee's future activities can at this stage be only of a very preliminary character and would need to be carried forward further after the conclusion of the MTN. To assist such preliminary discussions, the present note contains, in its first two sections, information on the Committee's terms of reference and on the main lines of its past activities, and summarizes in a third section, a number of outstanding issues currently under consideration in the Committee as well as a number of matters referred to at recent meetings in connexion with the Committee's future work. The note also suggests some of the factors that in the light of developments may need to be taken into account in projecting the Committee's rôle in the post-MTN trading situation.

Section I: Terms of reference of the Committee

3. Pursuant to the provision of Article XXXVIII:2(f), the Committee on Trade and Development was established by the CONTRACTING PARTIES in November 1964 to supervise the implementation of the then newly negotiated Part IV of the General Agreement<sup>1</sup> and to take over the functions performed by Committee III and the Action Committee.<sup>2</sup> The terms of reference of the Committee are: (i) to keep under continuous review the application of the provisions of Part IV of the General Agreement; (ii) to carry out, or arrange for, any consultation which may be required in the application of the provisions of Part IV; (iii) to formulate proposals for consideration by the CONTRACTING PARTIES in connexion with any matter relating to the furtherance of the provisions of Part IV; (iv) to consider any questions which may arise as to the eligibility of a contracting party to be considered as a less-developed country in the sense of Part IV and to report to the CONTRACTING PARTIES; (v) to consider, on the basis of proposals referred to it by the CONTRACTING PARTIES for examination, whether modification of or additions to Part IV are required to further the work of the CONTRACTING PARTIES in the field of trade and development and to make appropriate recommendations; and (vi) to carry out such additional functions as may be assigned to the Committee by the CONTRACTING PARTIES.

Section II: Main lines of the Committee's past activities<sup>3</sup>

4. It will be noted that in setting up the Committee on Trade and Development, the CONTRACTING PARTIES gave it broad terms of reference which permitted it not only to review measures taken by contracting parties in implementing Part IV but also to serve as a focal point for further discussion and examination in the GATT of a range of issues arising in trade relations between developed and developing countries and among developing countries. In order to assist it in its detailed examination of some of the

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<sup>1</sup>Part IV was added to the General Agreement in February 1965 and became operative de jure on 30 June 1966 for those contracting parties which had accepted it.

<sup>2</sup>It might be recalled that Committee III had been established to find ways and means of facilitating the expansion of trade of developing countries and an Action Committee was set up in 1963 to implement the Action Programme adopted by Ministers in the same year.

<sup>3</sup>Secretariat note COM.TD/W/219, entitled "Activities of the Committee on Trade and Development", provides additional information on the Committee's activities until 1974.

matters dealt with in Part IV as well as to pursue the possibility of working out further supplementary provisions in the light of proposals presented to the CONTRACTING PARTIES, the Committee set up soon after its inception a number of ad hoc bodies and groups<sup>1</sup>, notably:

- Ad Hoc Group for the Examination of Products of Export Interest to Less-Developed Countries;
- Ad Hoc Group on Legal Amendments to the General Agreement;
- Group of Experts on Trade and Aid Studies;
- Group on the Expansion of Trade Among Less-Developed Countries;
- Working Group on Preferences;
- Group on Residual Restrictions;
- Expert Group on Adjustment Assistance Measures.

5. The activities of these subsidiary bodies were shaped by the perception of some of the major issues in GATT as they affected trade relations between developed and less-developed contracting parties and the rôle that the Committee on Trade and Development could play in dealing with these issues and facilitating the expansion of the trade of developing countries. Thus, the Ad Hoc Group on Legal Amendments to the General Agreement considered the question of the application of surcharges for balance-of-payments purposes by developing countries in the context of providing greater flexibility to these countries in their use of import measures under Article XVIII. It also drew up a Decision on Procedures under Article XXIII in relation to disputes arising between less-developed and developed contracting parties which was subsequently adopted by the CONTRACTING PARTIES on 5 April 1966 (BISD, Fourteenth Supplement, page 18). Likewise, the Group on Expansion of Trade Among Developing Countries examined proposals for the adoption of measures for the expansion of trade flows among developing countries which culminated in the establishment, under the chairmanship of the Director-General of GATT, of a Trade Negotiations Committee of Developing Countries within which the Protocol Relating to Trade Negotiations Among Developing Countries was eventually negotiated. An ad hoc group also examined trade flows in a selected group of products of export interest to the developing countries with a view to facilitating measures of tariff and trade liberalization with respect to these products. The work of this group provided the nucleus for the establishment of an indicative list of products

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<sup>1</sup>The terms of references of these bodies can be found in the report of the Committee's second session (BISD, Thirteenth Supplement, page 77).

of export interest to developing countries which served as a point of reference for tariff concessions of interest to developing countries in the Kennedy Round. The Expert Group on Trade and Aid Studies examined the development plans of certain countries with a view to focussing on external measures that would help these countries to overcome their payments problems and achieve further expansion and diversification of exports. The approach developed in these trade and aid studies was taken over in the procedures for expanded balance-of-payments consultations adopted by the CONTRACTING PARTIES in 1970 (BISD, Eighteenth Supplement, page 49).

6. While a number of the subsidiary bodies set up by the Committee on Trade and Development had an ad hoc programme of work, the result of which were in some instances quickly incorporated in other GATT consultative mechanisms or taken up in the ongoing process of GATT negotiations, some of the other groups met over a period of several years in an effort to secure effective and sustained action on measures designed to further the provisions and objectives of Part IV. Thus, the Expert Group on Adjustment Assistance Measures met on a number of occasions to assemble and study information on measures of adjustment assistance adopted in developed countries with a view to facilitating adjustment to imports from developing countries and thus aiding trade liberalization. The work of the Group was put into abeyance at the beginning of the multilateral trade negotiations, since adjustment assistance issues were expected to come up for consideration in a number of areas of the negotiations. The Group on Residual Restrictions was established to make recommendations on actions to be taken to secure elimination of residual import restrictions being maintained on the trade of less-developed countries inconsistently with the provisions of the GATT. The Group obtained from developed countries applying residual restrictions on products of export interest to developing countries detailed information concerning such matters as quota arrangements, production and import statistics, the reasons underlying the maintenance of restrictions and any plans for liberalization. Consultations were held by the Group on a country-by-country basis with countries applying these measures. In the later phase of its work, the Group adopted the approach of examining at each of its sessions restrictions applied to short lists of selected items. The work of the Group was subsequently taken over by the Group of Three.

7. In 1968, the Committee on Trade and Development reactivated the Special Group on Tropical Products, which had been initially set up in 1962 and transformed into a negotiating body in the Kennedy Round, and asked it to examine problems affecting trade in tropical products and to report on ways and means of overcoming these problems. The Group's mandate included a study of the incidence of internal charges and revenue duties on tropical products and its reports to the Committee on Trade and Development covered, on a priority basis, six groups of tropical products - coffee, tea, cocoa, vegetable oilseeds and oils, bananas and spices. The last such report was submitted in November 1971 when it was noted that further exchanges of views on problems of trade in tropical products were being carried forward through the Group of Three.

8. In its effort to play a concrete rôle in promoting action on the trade problems of developing countries not necessarily confined to the terms of Part IV, the Committee on Trade and Development established in January 1971, following the conclusions adopted at the twenty-sixth session of the CONTRACTING PARTIES (BISD, Seventeenth Supplement, page 18), a special body, "the Group of Three", with the task of presenting "for consideration by the Committee and the CONTRACTING PARTIES proposals in regard to the concrete action that might be taken to deal with the trade problems of developing countries, having regard to the provisions of GATT and the relevant conclusions of the CONTRACTING PARTIES" (BISD, Eighteenth Supplement, page 56). Its mandate was subsequently extended to require it to ensure follow-up action on its recommendations, to explore possibilities of resolving difficulties in the implementation of these recommendations, to consider how the implementation of Part IV could be facilitated, to see how progress could be made towards resolving the problems of vegetable oils and oilseeds, and to take up the question of how the work of the Group on Residual Restrictions could be given a new orientation. Consisting of the three main office bearers of the GATT, the Chairmen of the CONTRACTING PARTIES, the Committee on Trade and Development and the Council, and, with the aid of the secretariat, proceeding largely through informal consultations with both developed and developing countries, the Group was able to identify specific problems and possible solutions thereto and recommend the practical resolution of such problems.

9. In its consultations, the Group examined, inter alia, the possibility of the elimination or reduction of quantitative restrictions and other non-tariff measures applied to products of interest to developing countries; possible action to improve conditions of access for tropical products; the problems of tariff escalation, in particular as regards tropical products and vegetable oils; improvements in and enlargement of the Generalized System of Preferences; and certain other aspects in the fields of trade promotion, development of new products, health and sanitary regulations, etc. The Group also considered the consequences for the trade of developing countries of certain trade policy developments, in particular the monetary and commercial situation of 1971 and the enlargement of the EEC. While some recommendations relating to the above matters in its three reports<sup>1</sup> were addressed to all developed countries, others were in the form of specific recommendations to individual countries. A number of these countries were able to report that they had taken action in compliance with certain of the general or specific recommendations made by the Group. The Group's activities were suspended in 1973 when it was clear that the questions which it had been addressing would be pursued in the framework of the MTN.

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<sup>1</sup>The three reports of the Group of Three can be found in the Basic Instruments and Selected Documents (BISD): Eighteenth Supplement, page 70; Nineteenth Supplement, page 31; and Twentieth Supplement, page 73.

10. It should be noted also that from the inception of its activities the Committee on Trade and Development has been called upon to follow work relevant to the interests of developing countries in other GATT bodies with a view to contributing to the progress of this work. In pursuance of this rôle, the Committee on Trade and Development not only followed developments in the Kennedy Round affecting the trade interests of developing countries, but also carried out an assessment of its results. The Committee also played an active rôle in the discussion and examination of issues of interest to the developing countries in the context of the preparatory work for the Tokyo Round, and has subsequently kept under review developments of interest to developing countries in the MTN as well as technical assistance provided by the secretariat.

11. Since the Tokyo Declaration, work on seeking liberalization of impediments to the trade of developing countries has been pursued in the context of the multilateral trade negotiations. However, the major developments in international economic relations during this period have raised pressing new trade problems for developing countries which the Committee has had to consider. Its review of developments in international trade and payments has provided an opportunity for an overall view of economic developments affecting developing countries including such matters as the way in which the problems of unsatisfactory global economic growth, protectionism, debt and international payments, commodity prices, and trade flows interact. The growing protectionist tendencies of recent years have underlined the importance of the Committee's reviews of the implementation of the provisions of Part IV, particularly those provisions relating to the standstill. As a step towards improving these reviews, the Committee has considered in detail possible improvements to the notifications by governments of information on actions relevant to Part IV. At recent meetings, the Committee has considered specifically the question of protectionism in relation to the trade of developing countries in the light of its responsibility under its terms of reference to formulate proposals relating to the furtherance of the provisions of Part IV. In this connexion, it has examined some of the longer-term changes in the structure of trade between developed and developing countries, particularly in manufactures. The expansion of trade among developing countries has also been a subject before the Committee, which has lent its support to the preparatory technical work on a possible future round of trade negotiations among developing countries that has been initiated by the Committee of Participating Countries.

Section III: Matters raised at recent meetings relating to the future work of the Committee

12. The following paragraphs summarize a number of matters discussed at recent meetings of the Committee which have a bearing on its future activities.

Notification procedures relating to the implementation of Part IV

13. At its meetings in November 1977 and June 1978, the Committee undertook an examination of notification procedures relating to the implementation of Part IV on the basis of a secretariat background note (COM.TD/W/260), which contained factual information on notification procedures followed by the Committee, the experience of the Committee with respect to such procedures and a summary of the observations and suggestions that had been made previously on this subject.<sup>1</sup> There was a widely shared view that existing notification procedures were not being fully complied with and a number of suggestions for improvements to, and better implementation of, existing procedures were made. While the view was expressed that the Committee should seek to reach agreement on the improvement of its notification procedures as quickly as possible, a number of delegations stated that, since improvements to the general GATT notification procedures might result from the multi-lateral trade negotiations, the need for changes to the Committee's procedures could be best taken up in the light of the results of the MTN.

14. A number of comments have also been made about additional information that the secretariat might provide in its background notes for the review of the implementation of Part IV. The secretariat is continuing to examine the feasibility of the various suggestions and would take into account any further comments or suggestions that might be made on this matter.

Procedures for the review of the implementation of Part IV

15. At recent meetings of the Committee, delegations of a number of developing countries have suggested that the Committee should examine ways of improving the procedures for the review of the implementation of Part IV with a view to ensuring the better implementation of its provisions.<sup>2</sup> These delegations have stated that in their view it was necessary to ensure not only improved notifications but also improved procedures for the examination of these notifications. A number of suggestions were made concerning the establishment of special bodies to review trade measures affecting the trade interests of developing countries (L/4597, paragraph 14 and COM.TD/100, paragraph 13), including at the last meeting when it was suggested that it might be useful to establish a subsidiary body of the Committee to examine in more detail individual measures taken so as to better consider the compelling reasons underlying restrictive measures in terms of the provisions of Article XXXVII:1 and to see what possibilities might exist for the relaxation of such measures where they adversely affected developing country

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<sup>1</sup>The records of the Committee's discussions on this matter are contained in documents L/4597, paragraphs 17-24, and COM.TD/100, paragraphs 27-32.

<sup>2</sup>See COM.TD/99, paragraphs 19, 23, 24; L/4597, paragraph 14; and COM.TD/100, paragraphs 13-15, 18, 30-32.

exports. Delegations of some developed countries recalled that in considering such proposals it was important to keep in mind work on related matters currently under way in the MTN. It was agreed that the Committee would revert to the proposal made at its last session.

#### Technical assistance

16. In accordance with a decision of the Committee at its twenty-sixth session, the Committee has been reviewing at each of its meetings the technical assistance provided to developing countries in the context of their participation in the multilateral trade negotiations, with a view, inter alia, to providing comments and suggestions concerning further work that might be undertaken in this area.<sup>1</sup> At the last meeting of the Committee, a number of delegations expressed the view that the technical assistance unit of the secretariat should be maintained after the MTN, and placed on a more permanent footing. It was also suggested that the Committee should look at the shape and function of the technical assistance work of the secretariat to see how it could best serve the interests of the developing countries in the framework of GATT after the MTN. In addition, it was noted that a number of the draft codes and arrangements under negotiation in the MTN contained provisions for technical assistance for developing countries to assist them in their participation and it was mentioned that this may have a bearing on future technical assistance activities of a broader character.

#### Analysis of the results of the multilateral trade negotiations

17. At the last session of the Committee, it was suggested that, once the MTN was completed, it would be appropriate for the secretariat to undertake a detailed analysis of the results of the MTN as they affected the trade interests of developing countries, and that such a study could help the Committee to assess its rôle in the post-MTN period and the issues it might seek to address (COM.TD/100, paragraph 44). It will be recalled that at its ninth session, in July 1967, after the Kennedy Round of trade negotiations, the Committee agreed to establish an ad hoc group composed of participants in those negotiations, with the following terms of reference (COM.TD/47, paragraph 2):

- (i) carry out an assessment of the results of the Kennedy Round negotiations for developing countries in the light of the Ministerial conclusions and resolutions of 1963 and 1964 and of the relevant provisions of the General Agreement;

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<sup>1</sup>Secretariat note COM.TD/W/283, prepared for the current session of the Committee, provides a general description of the technical assistance provided by the secretariat since the launching of the MTN.



- (ii) identify specific problems that might have prevented fuller action on particular products or product groups of export interest to developing countries; and
- (iii) report on suggestions for future work on problems in particular sectors aimed at facilitating the expansion of trade of developing countries.

The Group presented its report to the tenth session of the Committee in November 1967 (BISD, Fifteenth Supplement, page 148). In carrying out its assessment, the Group based itself mainly on a study prepared by the secretariat (COM.TD/48 and Add.1), analyzing tariff rates before and after the Kennedy Round as well as the depths of cuts made in the negotiations both in terms of the number of tariff items and the amount of trade affected in respect of six selected developed countries as well as providing information on developments in other areas of those negotiations.

#### Summary

18. It will be seen from the above paragraphs that over the years the Committee has addressed itself to a number of matters under different aspects of its terms of reference. These have included notably:

- (i) review of the implementation of commitments undertaken by contracting parties in terms of Part IV including the examination of procedures that would serve to improve the Committee's own effectiveness in this area;
- (ii) study, analysis and discussion of measures that governments might take in pursuance of the provisions of Part IV, as well as identification and examination of problems affecting the trade of developing countries more generally, including the presentation of conclusions or informal recommendations on ways and means of overcoming these problems;
- (iii) the exploration of new trade policy approaches, such as in respect of preferences and adjustment assistance;
- (iv) study of difficulties affecting the trade and payments situation of individual developing countries and recommendations with respect to ways and means of overcoming these difficulties;
- (v) the provision of a focal point for following developments relating to developing countries in multilateral trade negotiations including questions relating to technical assistance etc.;

- (vi) providing a forum for the exchange of views on emerging trends in the trade and balance-of-payments situation of developing countries in general and difficulties arising in international trade relations more particularly as they affect these countries.

19. The future rôle of the Committee may need to be considered in relation, inter alia, to the following factors:

- (i) the extent to which governments remain committed to the provisions of Part IV and see it as providing an appropriate framework for pursuing measures relating to the expansion of trade of developing countries; and in the light of this, the desirability of examining ways of making more effective the Committee's procedures for the review of the implementation of Part IV;
- (ii) the need, after the conclusion of the Tokyo Round, to keep under review developments in trade relations between countries at different stages of development and to reinforce measures or arrangements in the tariff and, even more particularly, the non-tariff measure field aimed at the further expansion of trade flows between developed and developing countries and among developing countries, having regard to changes in global economic conditions. In this connexion, it is also to be anticipated that problems created by the current wave of protectionism will persist at least for some years after the conclusion of the Tokyo Round and that as developing countries get more closely integrated into the international trading system, issues relating to structural adjustment as well as to a more equitable sharing of benefits from the growth of trade for all trading countries will become increasingly important;
- (iii) the new needs for technical assistance to developing countries which emerge from the establishment of various codes on non-tariff measures through the multilateral trade negotiations and the extent to which the Committee will serve as a forum for keeping under review these needs as well as the overall functioning of measures providing for special and differential treatment adopted in favour of developing countries;
- (iv) the outcome of current negotiations on issues such as the enabling clause and greater participation of developing countries in the GATT trading system, as well as the consultation and review mechanisms adopted in this connexion and how far these impinge on the review functions of the Committee: the view taken with respect to the appropriate framework for these purposes.

20. In the light of the above the Committee might wish in due course to take up the question of the possible further use of the procedures and mechanisms offered by bodies such as the Expert Group on Adjustment Assistance Measures, the Special Group on Tropical Products, the Group on Residual Restrictions and the Group of Three to carry forward work in the areas with which these bodies have been concerned.

21. The points contained in paragraph 19 do not, of course, exhaust the list of elements that may need to be taken into account in considering the future rôle of the Committee on Trade and Development. It should furthermore be noted that most of the matters mentioned above fall within the scope of the principles and objectives and the provisions on joint action in Part IV which in addition to the commitments in Part IV the Committee is required to implement, though the specific manner in which future GATT activities may develop in these areas is a question for consideration.