

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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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 progress made in the implementation of Part IV of the General Agreement. In the light of this requirement, the Committee undertakes, at least once a year, a full review of the implementation of Part IV on the basis of notifications submitted by contracting parties (COM.TD/24, paragraph 10). The last such major review was undertaken by the Committee at its thirty-sixth session in November 1978 and a subsequent review was carried out at the April 1979 session of the Committee on the basis of background information provided in secretariat document COM.TD/W/291. Further information provided by delegations during the latter meeting is set out in paragraphs 6-9 of the note on the Committee's proceedings (COM.TD/101).
2. Notifications received from contracting parties in response to GATT/AIR/1574 for the review to be undertaken at the forthcoming meeting have been reproduced in COM.TD/W/298 and Addenda. The following paragraphs contain a summary, on the basis of information available to the secretariat, of certain other commercial policy actions taken by governments in recent months as well as developments in other international bodies that may have a bearing on the provisions of Part IV. The details provided below may not be exhaustive of all the relevant actions or activities undertaken since the documentation was prepared for the last meeting of the Committee and delegations are invited to provide any supplementary information that they feel may be useful. It may be noted that, in general terms, only measures actually implemented and not those under consideration have been summarized.
3. In addition to the information provided below, certain other GATT activities have a bearing on the implementation of Part IV. Thus, delegations may wish to refer to summaries of discussions in the GATT Council on various measures, including restrictive actions and other trade measures etc. covered by the relevant documentation, to developments in connexion with the Textiles Arrangement and to the work of the UNCTAD/GATT International Trade Centre. It might also be noted that the secretariat issues periodically a Survey of Developments in Commercial Policy.

4. As the information contained in this note is supplementary to that in COM.TD/W/298 and Addenda - "Action by Governments Relevant to the Provisions of Part IV", the two papers should be read in conjunction in order to have a more complete picture of the situation in relation to the implementation of Part IV.

COMMERCIAL POLICY MEASURES

Tariff and other charges on imports

5. Imports into Australia of certain iron and steel screw hooks and screw rings falling under tariff heading 73.32, are now permitted duty-free entry. Certain cotters and cotter pins have also been granted duty-free entry. The temporary duty of 10 per cent on screws for wood under 73.32 has been discontinued. In respect of confectionery, chocolate and cocoa products, Australia has decided that, as from 22 August 1979, goods previously dutiable at minimum rates would continue to be so dutiable, duties on imports of nut pastes and meals (17.04.2) would be reduced to minimum rates, and other goods would be dutiable at 20 per cent from General and Preferential sources. The tariff quota restrictions on industrial vices were terminated on and from 6 June 1979 and those on endless chain hand-operated pulley tackle and hoists were discontinued as from 6 July 1979.

6. The European Communities have opened, for the period 1 July 1979 to 30 June 1980, a duty-free Community tariff quota of 6,700 tons for fresh eels (live or dead), chilled or frozen, falling within sub-heading ex 03.01 A II of the Common Customs Tariff, intended for processing by curing or skinning enterprises or for use in the industrial manufacture of products falling within heading No. 16.04 of the Common Customs Tariff. The tariff quota is 600 tons higher than the quota established for 1978/79. Council Regulation (EEC) No. 326/79 opened, for the period 1 March to 31 December 1979, a duty-free Community tariff quota of 80,000 tons for ferro-chromium containing not less than 4 per cent by weight of carbon.

7. The Government of Norway has suspended the customs duty on potato flour for feed (CCCN No. 11.05.00) for the period 1 June to 31 December 1979.

Generalized System of Preferences (GSP)

8. Under arrangements for the issue of quotas for the import of certain goods from developing countries at special rates of duty during the period 1 July 1979 to 30 June 1980, Australia has made certain modifications to help overcome the problem of under-utilization of quotas by some quota holders.

9. The European Communities have prolonged their existing GSP scheme in the textile sector for a further six-month period ending 31 December 1979, with an increase of 5 per cent in quantitative levels. Two Commission Regulations have amended the determination of origin rules with respect to sails and tents, and certain gloves, mittens and mitts.

10. In a recent communication, New Zealand has notified that a number of improvements are being made to its Generalized System of Preferences. The changes entail the reduction of GSP duty rates on products falling under three CCCN headings as of 23 March 1979 and under a further ten CCCN headings as of 1 November 1979. In addition, from the latter date, preferences are being extended to products falling under six CCCN headings that were previously not eligible for GSP treatment. In introducing these improvements, New Zealand has indicated that account was taken of requests submitted by developing countries in the MTN (L/4366/Add.6).

11. Under the United States GSP scheme, the 1979 annual review of petitions seeking changes in the list of eligible GSP products resulted in the addition of twenty-one items to the list and the deletion of four items from the list. Imports of the twenty-one added items amounted to some US\$200 million in 1978 about one half of which came from beneficiary developing countries. Imports of the four deleted items amounted to about US\$327 million, about US\$126 million of which came from beneficiary developing countries. Changes in the GSP scheme, required by the competitive need limitation provisions of the Trade Act of 1974, were also introduced (L/4299/Add.10).

Import restrictions

12. Australia has repealed item 16 in the Third Schedule to the Customs (Prohibited Imports) Regulations to remove the restriction on imported margarine. Australia announced on 9 May 1979 that import licensing restrictions on fixed resistors falling within item 85.19.1 of the Australian Customs Tariff have been discontinued (L/4603/Add.1). Import licensing restrictions on domestic chest-type freezers having a gross internal capacity of not more than 350 litres were discontinued on and from 10 August 1979. Imports of these goods have also been relieved of the 12.5 per cent special additional duty applicable to imports of certain goods subject to tariff quota or import licensing restrictions. Import licensing controls, introduced on 1 July 1978, on certain sheets or plates of iron or steel have been extended for a further twelve months as from 1 July 1979. The import quota applying to these goods has been increased from 162,500 tons in the 1978/79 quota year to 175,000 tons in 1979/80.

13. The Canadian authorities notified in September 1979 that the phasing-out of the global quota on worsted spun acrylic yarns below a certain price, introduced on 1 January 1976, was completed on 31 August 1978 (L/4344/Add.2); the temporary emergency global quota on work gloves below

a certain price, introduced on 1 July 1976, was terminated on 31 December 1978 (L/4382/Add.1); and the temporary emergency global quotas on certain clothing items, notified to GATT on 29 November 1976, were terminated on 31 December 1978 (L/4453/Add.4).

14. Within the European Communities, the restrictive measures introduced in the second half of 1977 on imports of certain television sets into the United Kingdom from the Republic of Korea were removed with effect from 22 June 1979 (L/4613/Add.1).

15. The Japanese general beef import quota for the first half of fiscal year 1979 has been set at 63,000 tons, 23,000 tons more than in the corresponding period of the previous year.

16. On 12 June 1979, the United States Government determined that a gradual phasing-out of the Article XIX action with respect to stainless and alloy tool steel was necessary to prevent an immediate disruptive surge in imports and replaced the existing quota system with a transitional one leading to termination of the action through progressively larger bimonthly quotas over a period of eight months. The new transitional quota system will expire on 13 February 1980 (L/4368/Add.37).

Other developments of interest in relation to Part IV

17. With effect from 13 April 1979, Australia has applied a variable tariff to imports of orange and tangerine juices and juices of substitutable hybrids of these fruits. The duty rate is free if the value for duty of the imports concerned is \$A 2.40 or higher per kg. of total soluble solids (TSS). Otherwise, the duty is the difference between the value for duty per kg. TSS and \$A 2.40. In respect of certain items falling within tariff headings 39.07 and 42.02, Australia has decided that (a) suitcases, trunks, attaché cases, and executive cases (not being goods of leather or of composition leather), and certain moulded plastic cases, other than incomplete goods, would be dutiable at 45 per cent under the General and Preferential tariffs until 1 July 1980, when they would become dutiable at 30 per cent. Incomplete goods would become dutiable at 30 per cent; (b) brief cases, folios and the like, and other moulded goods, would become dutiable at 30 per cent under the General and Preferential tariffs; and (c) other travel goods, cases etc. would be dutiable at 30 per cent under the General tariff and 25 per cent under the Preferential tariff until 1 July 1980, following which minimum duty rates, subject to internal commitments, would apply. Australia has decided that short-term assistance in respect of sacks, bags and certain polyolefin fabrics should continue to apply until 31 December 1980, but with some reduction in the additional fixed duty rate as of 1 July 1979. However, the fixed rate portion of the duty has been increased on bags and sacks not for use in sizes as imported.

18. Australia announced on 11 July 1979 that it had decided to extend the current three-year programme of assistance to the textiles, clothing and footwear industries by one year, until 30 June 1981 in the case of footwear and brassières and until 31 August 1981 in the case of textiles and other apparel. From 1 March 1979 imports of certain wool worsted and wool blend fabrics have been made subject to tariff quota arrangements as follows: the annual tariff quota level for worsted wool fabrics and wool fabrics containing silk and polyester has been set at 2 million m² with an additional duty of \$A 2.50 per m² for above quota imports. For certain other wool fabrics including fabrics containing man-made fibres the annual quota level has been fixed at 1.5 million m² with an additional duty of \$A 2.50 per m² for above quota imports. The introduction of these tariff quotas followed an investigation which concluded that imports of these items had exceeded the trigger level established in November 1977 for imposition of tariff quotas. With effect from 1 July 1979, an ad valorem revenue customs duty of 2 per cent has been imposed on goods, as prescribed by by-law, benefiting from concessional duty rates under items 19 and 25 of Schedule 2 to the Customs Tariff Act (certain new exclusions to item 25 were announced) and, with certain exceptions, on goods substantially free or on which no duty is payable under their normal tariff classification. Among the exceptions are goods of New Zealand, Papua New Guinea or Developing Country origin and goods bound at a free rate under GATT or other international arrangements.

19. Commission Regulation (EEC) No. 1629/79 suspended all imports into the European Economic Community of frozen hake, whole, headless or in pieces, as well as frozen fillets of hake. The suspension does not apply to imports of products which comply with the reference prices set out in an Annex to the Regulation.

20. Under the Heavy Engineering Research Levy Act 1978, which came into force on 1 April 1979, a levy of \$NZ 1.50 per tonne has been placed on certain steel imported into New Zealand. The items affected are certain angles, shapes and sections (tariff items 73.11.011, 73.11.021, 73.11.031), certain sheets and plates (73.13.009) and certain tubes and pipes and blanks thereof (73.18.009).

21. Effective 1 June 1979, Norway increased the import levy on certain snacks (CCCN No. 19.08.300) from NKr 2.00 per kg. to NKr 2.45 per kg. The levy on other snacks (CCCN Nos. 19.08.900 and 19.02.909) remains at the previous level of NKr 3.20 per kg.

22. Switzerland increased the customs duty on dessert grapes to Sw F 40 per 100 kgs. gross for the period 19 September to 10 October 1979 (L/4835). The customs duty on peaches was increased to Sw F 25 per 100 kgs. gross for the period 26 August to 10 September 1979 (L/4826). A Swiss Ordinance of 18 June 1979 increased the price supplements on imported cheese as follows: CCCN No. 04.04.14 from Sw F 100 to Sw F 140 per 100 kgs. gross; CCCN No. 04.04.28 from Sw F 80 to Sw F 110 per 100 kgs. gross; and CCCN No. 04.04.30 from Sw F 50 to Sw F 70 per 100 kgs. gross. In addition, the Swiss authorities have increased the supplementary duty, from Sw F 80 to Sw F 110, on imports of cheese that are above the level of quantity imported in 1974.

Adjustment measures

23. The following paragraphs summarize certain actions taken by a number of contracting parties since the beginning of 1979 of relevance to the question of structural adjustment.

24. Japan has extended the Act on Provisional Measures for the Structural Re-organization of Textiles Industries, which had been due to expire at the end of June 1979, for a further five years until the end of June 1984. Under the Act, the Japanese Government may assist in securing or providing finance to small or medium-sized firms which implement approved structural reorganization programmes.

25. In September 1979, the Council of the European Communities agreed, in principle, to a code on State aids to the steel industry. The code has been proposed by the Commission as part of its overall anti-crisis plan for the steel industry. The Commission of the European Communities announced in April and June 1979 that it had agreed to grant aid totalling some 1.6 million European units of account, under Article 56 of the ECSC Treaty, in favour of workers affected by closures or cutbacks in the Belgian, German and United Kingdom steel industries.

26. For the fiscal year 1979/80, Sweden has made available SKr 32 million for its programme to assist adjustment in the textile and clothing industries, for example through conversion support and education.

27. Monthly summaries of United States decisions in respect of workers' trade adjustment assistance certifications, published in the months March-August 1979 by the United States Department of Commerce, show that the United States Labour Department, having found that approximately 63,145 workers had been or might become unemployed as a result of increased imports, had certified these workers as eligible to apply for trade adjustment assistance.

ACTIVITIES IN OTHER INTERNATIONAL ORGANIZATIONS
RELEVANT TO PART IV

United Nations

28. The General Assembly at its thirty-fourth session is considering a proposal put forward by the Group of Seventy-Seven in the Committee of the Whole, at its third session in September 1979, for a programme of action on international economic co-operation for development that would proceed simultaneously on various issues including raw materials, energy, trade, development, money and finance.

29. The Preparatory Committee for the New International Development Strategy, established by General Assembly Resolution 33/193 of 29 January 1979, held its first three sessions in April, June and September 1979 respectively. The Committee is expected to submit a preliminary draft of the new international development strategy to the thirty-fourth session of the General Assembly, with a view to finalizing it in time for its adoption in 1980.

UNCTAD

30. The Fifth Session of the United Nations Conference on Trade and Development was held in Manila in May/June 1979. Resolutions adopted covered such areas of international trade relations as protectionism and structural adjustment, commodities, least-developed countries, ECDC, restrictive business practices, transfer of technology, etc. A number of issues were remitted to the Trade and Development Board for further consideration.

31. The Preparatory Working Group on Tungsten concluded, at its second session in September 1979, that it was not possible to reach a consensus on a recommendation as to whether or not a negotiating conference on tungsten should be convened.

Integrated programme for commodities

32. The Interim Committee of the United Nations Negotiating Conference on a Common Fund under the Integrated Programme for Commodities, established with the primary task of drafting the articles of agreement of the Common Fund, had its first session in September 1979. The Committee had a first reading and a preliminary discussion of draft articles of agreement prepared by the UNCTAD Secretariat. It was agreed to continue work in October on the basis of a revised draft.

33. The sixth Preparatory Meeting on Jute and Jute Products, held in April 1979, decided that its next meeting, which would take the form of a post-preparatory meeting, should, inter alia, begin work on draft articles which could constitute the basis for an international agreement on jute and jute products. The Meeting was of the view that such an agreement should provide for the establishment of an International Jute Organization with functions in the fields of research and development, market promotion, cost reduction, competition from synthetics, market intelligence, stabilization and other relevant functions.

34. The second Intergovernmental Group of Experts on Copper established to examine the effectiveness of an international arrangement on copper based on differing possible elements, reported to the seventh Preparatory Meeting that, at its meeting in June/July 1979, there were wide divergences among participants in their evaluation of various approaches and elements and also in their views concerning the direction that any further inter-governmental consideration of the problems of copper should follow. The seventh Preparatory Meeting, held in September 1979, agreed that at its next session it would take up a proposal made by its Chairman for a staged approach to international co-operation on copper.

35. The fourth Preparatory Meeting on Cotton, held in September 1979, considered the question of action to reduce the instability of international prices of cotton, on the basis of a note, prepared by the UNCTAD Secretariat in consultation with FAO, outlining a number of policy options for such action. Some countries favoured an international agreement based on the mechanisms of international buffer stocking or internationally co-ordinated national stocks. However, some other countries did not feel that the case for the necessity of international action to reduce price instability had been made, or otherwise did not find themselves in a position to support the options put forward. In considering other international action, the Meeting agreed that a consistent overall programme of international action on cotton should include a number of other measures consistent with UNCTAD Resolution 93(iv), such as an expanded programme of research and development, market promotion and the greater participation of developing countries in marketing and distribution systems.

United Nations Cocoa Conference

36. The United Nations Cocoa Conference, held in July/August 1979, noted the considerable measure of agreement achieved within its framework and requested the International Cocoa Council, once it was satisfied that the necessary conditions existed for a successful conclusion of negotiations, to fix a date for the reconvening of the Conference.

37. At its thirteenth session, in September 1979, the International Cocoa Council decided to request the reconvening of the United Nations Cocoa Conference for the period 19-30 November 1979. It also decided to extend the International Cocoa Agreement, 1975, until 31 March 1980, subject to further review by the Council before that date.

United Nations Conference on Natural Rubber

38. The United Nations Conference on Natural Rubber, having reached agreement at its second session in March/April 1979 on the main elements of a natural rubber agreement and having carried forward negotiations on outstanding matters at its third session in June/July 1979, successfully concluded an International Rubber Agreement at its fourth session, in September/October 1979. The Agreement aims to stabilize natural rubber prices using buffer stocks as the sole instrument of market intervention for price stabilization. The prices included in the mechanism are to be reviewed periodically and adjusted automatically upwards or downwards according to an agreed formula, unless the International Rubber Council decides otherwise. The buffer stock is to be financed equally by importers and exporters who will make contributions in proportion to their net imports or exports, although special terms may be agreed for developing importing members and least-developed country members whose interests are adversely affected. The Agreement provides for the Council to take full advantage of the facilities of the Common Fund, once it is operational. In respect of access to markets, the Council is to identify any obstacles to the expansion of trade in natural rubber in its raw, semi-processed or modified forms and may make recommendations to members to seek in appropriate international fora mutually acceptable practical measures designed to remove progressively, and where possible eliminate, such measures. The Agreement will come provisionally into force on 1 October 1980 provided that it has been ratified by countries accounting for 65 per cent of both world net exports and world net imports.

United Nations Conference on Olive Oil

39. The United Nations Conference on Olive Oil concluded, at its session in March 1979, a new international agreement on olive oil, to replace the 1963 Agreement which is to expire at the end of 1979. The new agreement follows broadly the lines of the existing one, relying mainly on consultations among producers and putting emphasis on provisions aimed at promoting consumption. The new instrument is, however, wider in scope, covering all aspects of olive oil production and all products of the olive tree. The agreement puts new emphasis on the improvement of technology, establishing a fund of \$100,000 per annum in this respect.

FAO

40. The Intergovernmental Group on Rice at its twenty-second session, held at Manila in March 1979, reviewed the world rice situation and outlook, 1978/79, and national and regional rice policies. The Group adopted revised Guidelines for National and International Action on Rice. The Group made a number of recommendations for action by governments designed to improve the market situation in the event that international prices declined further and domestic prices in some exporting countries exceeded world prices. In addition, the Group made certain recommendations regarding the disposal of surplus rice stocks and food aid to developing countries. In its review of supply and demand projections for rice to 1985, the Group agreed, amongst other things, that a major problem of the world rice economy was the instability of trade and prices which underlined the need for adequate rice reserves and for greater harmonization of national policies.

41. The Committee on World Food Security at its fourth session in April 1979 adopted, on the basis of a proposal by the Director-General of FAO, a Plan of Action for World Food Security and recommended its approval by the FAO Council. The Committee stressed that the Plan was not a substitute for a new international grains arrangement, and urged the conclusion of such an arrangement as quickly as possible. Other matters considered by the Committee included an assessment of the world food security situation and the adequacy of stocks, and a review of the operation of the global information and early warning system. At its seventy-fifth session, in June 1979, the FAO Council agreed to adopt the Plan of Action.

42. The Intergovernmental Group on Meat, at its eighth session, in May 1979 reviewed the current world market situation and short-term outlook. It concluded notably that import requirements were likely to exceed export availabilities in the beef sector in 1979, leading to further price rises. The Group considered FAO projections of meat production, demand and trade to 1985, noting, inter alia, that the developing countries' share of world exports was expected to recover somewhat from the low levels of recent years. The Group recommended that all governments concerned should make increased efforts to adjust their policies and should intensify their joint efforts, so as to develop livestock production and meat consumption in developing countries, to resolve specific problems identified as areas of concern and to meet the objectives of the Guidelines for International Co-operation in the Livestock and Meat Sector. The Group hoped that future developments in appropriate international fora would facilitate reaching the objectives of the Guidelines.

43. The Intergovernmental Group on Hard Fibres at its fourteenth session, in April 1979, reviewed the current situation and the short-term and long-term outlooks for hard fibres. In respect of sisal, it agreed to raise the indicative price range for East African U.G. fibre c.i.f. Europe by US\$75 per tonne to US\$525-625 per tonne. It also agreed that the quota system should be maintained in principle, but actual global and national quota levels should continue to float, leaving it to the market to further consolidate global and national export positions of fibre and twine. The Group agreed that the indicative price mechanism for abaca should remain in force in principle, but the current floor and ceiling prices should be temporarily suspended. Should the indicator price still remain, in about three months time, above the ceiling price of the agreed range, an upward revision of the range would be immediately considered. The Group reviewed the progress of work on the establishment of Coir International and recommended that the FAO Secretariat, in co-operation with the UNCTAD Secretariat and the ITC, formulate options for a legal status for Coir International and the principal elements of its constitution.

World Food Council

44. The World Food Council held its fifth session at ministerial level in Ottawa in September 1979. The Council considered in particular the problems of the increasing food gap in low income countries and their growing dependence on food imports to meet essential needs. On international trade, the Council recognized the contribution that improved conditions of access for the exports of developing countries could make to enabling them to meet their own food needs and to strengthen their economic development generally and, in this connexion, noted with deep concern protectionist trade practices. The Council recommended that intensive efforts should be made to increase public awareness in all countries, particularly developed countries, of the costs of protectionism to consumers and taxpayers as well as its negative effects on economic development. It further recommended that developing countries, through their regional organizations and using inter-regional mechanisms, intensify the process of consultation and negotiation with a view to expanding their mutual trade in agricultural commodities and manufactures.

International Tin Council

45. At its fourteenth session under the Fifth Agreement, in July 1979, the International Tin Council increased the buffer stock price range, the floor price rising from \$M 1,350 to \$M 1,500 and the ceiling price from ~~\$M 1,700~~ to \$M 1,950.

International Wheat Council

46. The International Wheat Council, at its meeting in June 1979, recognized the need to arrive as soon as possible at a new international wheat agreement with substantive economic provisions to stabilize the international wheat market and contribute to world food security. It decided that a committee be convened to address the issues outstanding from the United Nations Negotiating Conference, adjourned in February 1979, and such other matters which, in the view of delegations and in the light of discussions in the Council regarding developments in the world wheat market, impeded the negotiation of a new wheat trade convention. The Committee is to report to the next session of the Council, scheduled for November 1979. The Council also took note of the decision of the Food Aid Committee, at its June session, to recommend that the Executive Secretary of the International Wheat Council explore ways which would allow completion of the text of a new Food Aid Convention and report to its next session or to a special session convened earlier.

Tokyo economic summit

47. At the summit meeting of major economic powers held in Tokyo in June 1979, the leaders agreed on a common strategy to attack problems of inflation and energy, in particular through efforts to reduce oil consumption and to hasten the development of other energy sources. They agreed that it was necessary to do more to improve in the long-term the productive efficiency and flexibility of the economies of their countries. In stating that the agreements reached in the Tokyo Round were an important achievement, they affirmed their commitment to their early and faithful implementation. They expressed their continued determination to fight protectionism and their wish to strengthen the GATT both to monitor agreements reached in the Tokyo Round and as an instrument for future policy in maintaining the open world trading system. They called on as many countries as possible to participate fully in these agreements and in the system as a whole. In referring to the severe consequences of recent developments for the non-oil developing countries, they recognized the need for increased flows to developing countries of financial resources, including private and public, bilateral and multilateral resources.

OECD

48. The OECD Council, meeting at ministerial level in June 1979, in considering trade aspects of constraints to growth, reaffirmed its attachment to an open international trading system, stressed the need for effective implementation of the results of the Multilateral Trade Negotiations, and extended the OECD Trade Pledge for an additional year. The Ministers welcomed the decision of the Council to establish a special group on Positive

Adjustment Policies of the Economic Policy Committee to carry out a two-year programme of work in OECD member countries designed to assess the macro-economic consequences of measures promoting or hindering necessary structural adjustments, and, when appropriate, to examine the international consequences of these measures including their impact on the international distribution of the costs of adjustment having due regard to the interests of developing countries.

49. With regard to world interdependence and relations with developing countries, the Ministers stressed that, in view of the difficult global challenges ahead, improved co-operation with developing countries had assumed even greater importance. They noted the value of pragmatic forms of consultation and co-operation with developing countries in areas of significant mutual interest and called on the OECD to examine what it could do in this context. The specific areas mentioned were trade and adjustment, energy co-operation, commodities and environment as well as aid and financial resource transfers.

Group of Twenty-Four

50. Ministers of the Group of Twenty-Four on International Monetary Matters held their nineteenth meeting, in September 1979. The Ministers approved an "Outline for a Programme of Action on International Monetary Reform" which contained, in their view, the principles and guidelines for a viable and effective reform of the international monetary system. In reviewing the international economic situation, the Ministers noted with serious concern the unfavourable economic outlook for the non-oil developing countries, in particular, and the continuous deterioration of their overall current account deficit. They noted that the principal factors accounting for this trend were a substantial deterioration in the terms of trade of non-oil developing countries, increased protectionism by developed countries, especially in areas where developing countries had export potential and a comparative advantage, and the slow growth of world trade. These developments would result, in their view, in a further deterioration of the import capacity of developing countries and an accentuation of their debt service requirements. The Ministers stressed the need for developed countries to promote a favourable international economic environment, in particular by undertaking needed structural adjustments and by eliminating and avoiding protectionist measures. The Ministers welcomed the recent changes in the IMF compensatory financing facility and urged its further liberalization. They further suggested that consideration be given in the Fund to the establishment of an adequate STABEX-type facility and of a complementary facility for short-falls in export receipts.

IMF

51. The International Monetary Fund adopted on 2 August 1979 a Decision liberalizing its compensatory financing facility designed to assist countries finance payments difficulties arising out of temporary export shortfalls. The new Decision extends the limit on drawings and eliminates the annual ceiling for drawings that previously existed. It also stipulates that, in the calculation of shortfalls, a member's receipts from travel and workers' remittances will be included at the option of the member if, in the opinion of the Fund, adequate data are available. Previously such receipts could not be included.

52. At the meeting in October 1979, the Interim Committee of the International Monetary Fund discussed the world economic outlook and policies appropriate in the current situation. Stressing the dangers of the intensification of inflationary pressures, the Committee noted with satisfaction that reduction of inflation was being given priority in the economic policies of industrial countries, and reiterated its view that in many countries progress in reducing inflation was an essential pre-condition for the resumption of vigorous economic growth. The Committee noted in particular the expected increase in the combined current account deficit of non-oil developing countries, and expressed concern that this development could lead to an increase in external financial difficulties among these countries. Reviewing the growing economic strains, internal as well as external, faced by the non-oil developing countries, the Committee observed that their situation, in addition to calling in many cases for an improvement in domestic financial policies, underlined the need for a larger flow of external resources. It was especially important, in the Committee's view, that the industrial countries, in the design of their economic policies, pay particular attention to the economic needs of developing countries. In this connexion, a wide range of policies was seen to be relevant, including the reduction of protectionist measures, the opening of import markets to exports of manufactures and commodities from developing countries and of capital markets to outflows of funds to such countries, and measures to give new impetus to the flow of official development assistance, which had stagnated in recent years. The Committee recognized that there was a clear need for broad multilateral efforts to assist member countries in coping with the very difficult situation ahead. In this context, the programme of immediate action outlined by the Group of Twenty-Four would be kept in view.

53. On the question of a possible substitution account, administered by the Fund, that would accept deposits of United States dollars in exchange for an equivalent amount of claims denominated in Special Drawing Rights, the Committee concluded that such an account, if properly designed, could contribute to an improvement of the international monetary system and could constitute a step towards making the SDR the principle reserve asset in the system. The Committee asked the Executive Board of the IMF to continue to direct priority attention to designing an appropriate substitution account plan.