

GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Trade and Development
Forty-Second Session
11-12 November 1980

BACKGROUND NOTE FOR REVIEW OF IMPLEMENTATION OF PART IV AND OPERATION OF THE ENABLING CLAUSE

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-ninth session in November 1979 and a subsequent mid-term review was carried out at the July 1980 session of the Committee on the basis of background information provided in secretariat document COM.TD/W/313. Additional information provided by delegations during that session is summarized in paragraph 7-10 of the Committee's proceedings (COM.TD/105).
2. Notifications received from contracting parties, in response to GATT/AIR/1651, for the review of the implementation of Part IV and of the operation of the Enabling Clause, to be undertaken at the forthcoming meeting of the Committee, have been reproduced in COM.TD/W/321 and Addendum.
3. In this note, the secretariat has made an effort to bring together information on certain actions which have been taken by contracting parties since the meeting of the Committee in July 1980 relevant to the implementation of Part IV and the operation of the Enabling Clause. Section I contains information on commercial policy measures other than those referred to in COM.TD/SCPM/W/2, "Protective Actions by Developed Countries Against Imports from Developing Countries", prepared as background for the Sub-Committee on Protective Measures, which relate particularly to the standstill provision of Part IV. In Section II, the secretariat has summarized available information, other than that contained in COM.TD/W/321 and Addendum, on developments with regard to the Enabling Clause since the last meeting of the Committee in July 1980, in accordance with the agreement at the March session of the Committee that the secretariat should provide for reviews of the Enabling Clause such information as would be useful and supplementary to that notified by governments.
4. Section III - Developments in Other GATT Bodies of Interest in Relation to Part IV - is intended to respond to the general agreement in the Committee at its thirty-ninth session that the work on the review of the implementation of Part IV

should be reinforced generally in accordance with the suggestions in paragraph 12 of COM.TD/102 (L/4876, paragraph 35). These included, inter alia, an overall review of developments in different GATT bodies and of the implementation of MTN results with respect to the interests of developing countries. Activities in other international organizations relevant to Part IV are summarized in the Annex.

5. As the information contained in Sections I and II of this note is supplementary to that in COM.TD/W/321 and Addendum, "Action by Governments Relevant to the Provisions of Part IV and Operation of the Enabling Clause", 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 and operation of the Enabling Clause. For an overall appreciation of developments in the course of 1980 delegations might also wish to refer to the information contained in document COM.TD/W/313 prepared by the secretariat for the July meeting of the Committee.

SECTION I

COMMERCIAL POLICY MEASURES

6. With effect from 27 August 1980, Australia reduced the import duty on menthol (ex CCCN 29.05) from 22.5 per cent to 20 per cent for a period of two years, after which the duty will phase down to 10 per cent. The duty on lemon or orange essential oils, concretes and absolutes (ex CCCN 33.01) was reduced from 15 per cent to 10 per cent with effect from the same date.

7. The Australian Government announced on 15 August 1980 a new seven year programme of assistance for the textiles, clothing and footwear industries to take effect from 1 January 1982. The interim arrangements to apply until that time have been covered in COM.TD/SCPM/W/2. The new developing country tariff preferences and handicraft concessions applying to textiles, clothing and footwear products announced at the same time are described in COM.TD/SCPM/W/3. The main features of the new arrangements to apply from 1 January 1982 are summarized below. Tariff quotas will not apply to yarns, certain categories of which are currently subject to such arrangements. Some yarns will be assisted by bounties. Certain yarns for hand crafting and sewing threads will be assisted by duties; other yarns will be dutiable at minimum rates. Certain textile fibres (carded or combed cotton, man-made fibre tow and discontinuous man-made fibre) will also be dutiable at minimum rates from 1 January 1982. Most fabrics will be quota free and subject to duties. Tariff quotas will be removed on knitted fabrics, tyre cord fabrics, and wool fabrics. Assistance to these products will be accorded via tariff duties, initially increased (with the exception of tyre cord fabrics) beyond present duty levels, then after 2 years reduced but to a level which will still be above current duties under quota. Tariff quotas will remain on woven man-made fibre fabrics currently subject to

quotas that are not covered by the lightweight fabric decision and on bed-sheeting. Tariff quotas on a volume basis will continue to apply to those items of household textiles and apparel currently subject to tariff quotas. Footwear will change from import licensing to a tariff quota arrangement. All footwear having a value for duty of less than \$A 1.00 per pair will be exempted from quota. The "within quota" general rates, replacing current duties, will be: apparel, 50 per cent; footwear, 40 per cent; and household textiles, ranging from 25 to 50 per cent. Under the programme the initially established quota levels will be based on the levels of imports in 1979-80. Quota levels will be increased annually at rates averaging about 2 per cent depending on market shares and designed to have an even impact on industry sectors.

8. Canada has released from the coverage of its global quota on footwear, other than footwear of rubber or canvas, a number of specific items, including cow-boy boots, golf shoes, English riding boots, orthopaedic footwear, climbing and hiking boots, motocross special racing boots, bowling shoes, highland dancing pump or jig shoes, and ice or roller skate boots. In 1978, these items represented imports of approximately 500,000 pairs of specialized footwear and were valued at \$8-\$10 million. Since importers' quota allocations are not being adjusted to take account of the reduced coverage, they will be able to apply these allocations to other items under quota (L/4611/Add.31).

9. Czechoslovakia brought into force on 1 July 1980 a new Law on Economic Relations with Foreign Countries. The new Law deals with different forms of foreign trade, for instance trade with licences, scientific-technical co-operation in production and specialization. The Law has an impact on the relationship between foreign trade and production and opens the possibility of using different appropriate kinds of organizational forms within this relationship. The permission for foreign trade activity may be given not only to foreign trade organizations, but as well to other economic organizations, including in particular direct producers. The Law also ensures that economic and foreign trade operations are effected by Czechoslovak companies in conformity with international legal commitments undertaken by Czechoslovakia (L/5017).

10. With effect from 1 July 1980, the European Economic Community has included certain additional items in the coverage of its measure of 3 December 1979 opening, allocating and providing for the administration of a Community tariff quota for certain hand-made products with an overall amount of 10 million European units of account and a limit of 1.2 million European units of account for each tariff heading or sub-heading in question. The additional products concerned are pullovers and ponchos of wool or fine animal hair, knitted or crocheted, not elastic or rubberized (ex 60.05A.II b)4), and ponchos of fine animal hair, not knitted or crocheted (ex 61.01B.V b) and ex 61.02B.II e)).
11. Finland has removed, with effect from 1 July 1980, the requirement for temporary import licences for goods falling under tariff Chapters 84, 85 and 87.
12. The Japanese Government approved, on 7 October 1980, amended foreign trade ordinances which, by simplifying export and import procedures, should facilitate sales in Japan by overseas firms. In addition, it has decided that the Japanese apple juice quota for fiscal year 1980/81 (April-March) would be 4,000 tons, 2,800 tons above the quota for 1979/80.
13. The "orderly marketing" agreement on colour television sets between the United States and the Republic of Korea has been extended for a period of two years from 1 July 1980. Korea's import quota in the United States has been increased from 204,000 sets to 385,000 sets for the year July 1980-June 1981 and to 575,000 units for the following year. The agreement also permits Korea to ship 50,000 sets to the United States that were covered by the earlier limits but not sent before the old agreement expired.

SECTION II

DEVELOPMENTS WITH RESPECT TO DIFFERENTIAL AND MORE
FAVOURABLE TREATMENT UNDER THE ENABLING CLAUSE

14. In the paragraphs that follow, an attempt has been made to bring together the available information on recent developments which appear relevant to the provision of differential and more favourable treatment to developing countries since document COM.TD/W/313 was prepared for the meeting of the Committee on Trade and Development in July 1980. This information is made available without prejudice to the legal or other position of any contracting party in relation to the provisions of the General Agreement and is in addition to that notified by governments and reproduced in documents COM.TD/W/321 and Addendum, and COM.TD/SCPM/W/3.

(a) Generalized System of Preferences

15. The Australian Government has increased the developing country preferential quotas on three categories of furniture, introduced on 26 October 1979, from annual rates of \$A 2.4 million, \$A 2.5 million and \$A 3.25 million to \$A 2.65 million, \$A 2.75 million and \$A 3.575 million respectively for the year 1 July 1980 to 30 June 1981.

16. As from 29 August 1980, the Republic of Zimbabwe has been included in the list of beneficiary countries of the New Zealand Generalized System of Preferences (L/4366/Add.9).

17. With effect from 1 August 1980, the Republic of Zimbabwe has been included in the list of beneficiary countries of the Swiss GSP scheme (L/4020/Add.5).

(b) Differential and more favourable treatment under GATT multilaterally negotiated instruments concerning non-tariff measures

18. A summary of developments regarding the implementation of the MTN Agreements on various non-tariff measures is contained in Section III of this note.

(c) Preferential arrangements among developing countries

19. In August 1980, member States of the Latin American Free Trade Area (LAFTA) signed a new Treaty. By this Treaty, the member countries agree to continue the process of regional integration instituted for the purpose of promoting the harmonious and balanced economic and social development of the region, and to that end they agree to establish the Latin American Integration Association with headquarters in Montevideo, Uruguay. The long-term aim of the process is the gradual and progressive establishment of a Latin American common market.

20. The annual report on the operation of the Protocol Relating to Trade Negotiations Among Developing Countries is being circulated as L/5051. It is listed for consideration by the Committee in the annotated provisional agenda as Item 8.

21. The seventh meeting of the Intergovernmental Negotiating Team for the establishment of a preferential trade area for Eastern and South Africa adopted a draft treaty and protocols to be examined at a ministerial meeting in Kampala in October 1980, for possible signing by heads of State and governments before the end of the year. The treaty is considered by the participants as the first step towards the creation of a common market in ten years' time, linking the member States of the sub-region.

SECTION III

DEVELOPMENTS IN OTHER GATT BODIES OF INTEREST IN RELATION TO PART IV

Council

22. The Council met on 9 October 1980. Among the matters taken up were the Report of the Working Party on the United States Import Restrictions Waiver, the Report of the Committee on Safeguards, and the question of EEC refunds on exports of sugar - recourse to Article XXIII:2 by Australia. Under "other business", the Council heard a statement on the question of United States countervailing duties applied to certain imports from India.

Committee on Balance-of-Payments Restrictions

23. The Committee on Balance-of-Payments Restrictions held a consultation, in accordance with the relevant provisions of the General Agreement and the Declaration on Trade Measures taken for Balance-of-Payments Purposes adopted by the CONTRACTING PARTIES on 28 November 1979, with the Philippines at its meeting of 14-17 October 1980. In its conclusions, the Committee, amongst other things, welcomed the recent steps taken by the Philippine authorities to reduce import barriers. In addition, at the same meeting, the Committee consulted with Bangladesh, Brazil and Ghana, in accordance with the simplified procedures for regular balance-of-payments restriction consultations with developing countries and the Declaration of 28 November 1979.

Committee on Tariff Concessions (TAR/M/2)

24. At its meeting of 7 July 1980, the Committee discussed certain technical points arising from the putting into operation of the Council decision of 26 March 1980 on the introduction of a loose-leaf system for schedules of tariff concessions. The Committee also considered procedures for negotiations under Article XXVIII, having before it the proposal made by the Director-General in 1978 for a revision of the procedural guidelines of 1957 on this matter. In summing-up the discussion on this matter, the Chairman of the Committee said that delegations having comments to make on the document should present them to the secretariat so that at its next meeting the Committee could discuss the matter further and agree on procedures for negotiations under Article XXVIII, so as to be able to make a recommendation

to the Council. With regard to the question of tariff reclassification, the secretariat was requested to prepare a note covering the legal aspects, any precedents, and the procedure to be followed in such cases. The Committee also discussed a proposal for updating the Tariff Study and, in this context, reference was made to the document on tariff escalation (COM.TD/W/316) prepared for the Committee on Trade and Development. Suggestions made related to the need to consider the methodology for updating the Study having regard in particular to the new tariff situation resulting from the Tokyo Round, the expansion of the Study to cover a larger number of countries and consideration of the various possible uses of the data in studies that the secretariat might be invited to undertake. The matter is to be examined again at a future meeting on the basis of more specific suggestions from delegations and also on the basis of the technical experience of the secretariat in preparing and carrying out the Tariff Study. Other matters taken up by the Committee at the meeting were the implementation of MTN concessions and the adjustment of specific duties under Article II:6(a).

Committee on Technical Barriers to Trade (L/5021)

25. At its meeting on 22 July 1980, the Committee heard statements from a number of delegations concerning steps taken by them to implement and administer the Agreement, and discussed some additional arrangements for the annual review of the operation of the Agreement. The Committee also discussed the applicability of Article 14.25 of the Agreement (processes and production methods) to certain measures taken by one signatory and agreed to revert to the matter at its next meeting. In addition, the Committee had a preliminary exchange of views on the request by one non-contracting party for the opening of negotiations for accession to the Agreement. It agreed to revert to the matter at its next meeting following informal consultations.

Committee on Trade in Civil Aircraft (L/5006)

26. At its meeting on 9-10 July 1980, the Committee heard status reports, and examined matters, arising under different articles of the Agreement. It agreed on a text concerning the relationship between the relevant provisions of the Aircraft Agreement and other agreements. The Committee also heard a progress report by the Chairman of the Technical Sub-Committee. Pursuant to this interim report, the Committee adopted a recommendation aimed at the provision of regular statistical reporting for the products covered by the Agreement and invited the Technical Sub-Committee to report on the feasibility of the project. The Committee also invited the Technical Sub-Committee to pursue its work on proposals for modifying the product coverage. These matters, together with certain other points arising out of its terms of reference, were addressed by the Technical Sub-Committee when it met on 30 September and 1 October 1980.

Customs Valuation Code

27. The European Economic Community and the United States have notified that, with effect from 1 July 1980, they have implemented the Agreement on Implementation of Article VII of the General Agreement, negotiated in the Tokyo Round (L/5005 and L/5008).

International Dairy Products Council (L/5035)

28. The International Dairy Products Council held its third session on 29 September 1980. The Council reviewed the functioning of the Arrangement. It heard an oral report on the implementation of the Protocol Regarding Certain Milk Powder, the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses. The Council took note of the Decision adopted by each of the Committees of these Protocols to increase, as from 1 October 1980, the minimum prices of the products covered to the following levels (per metric ton): skimmed milk powder and buttermilk powder: US\$500; whole milk powder: US\$800; butter: US\$1,000; anhydrous milk fat: US\$1,200; certain cheeses: US\$900. The Council undertook an evaluation of the situation in and outlook for the world market for dairy products, having before it a status report prepared by the secretariat on the world market for dairy products and a secretariat note on food aid operations. As agreed beforehand, the Council had a thorough discussion of the question of fresh milk and fresh milk products.

Consultative Group of Eighteen

29. At its meeting of 15 July 1980, the CG18 exchanged views on current trends and prospects in the international economy, especially in production and trade. It resumed its discussion of GATT's rôle in the area of structural adjustment and trade policy. The Group also continued to explore the contribution that GATT might make in dealing with the trade problems under discussion in the North-South dialogue.

Arrangements Regarding International Trade in Textiles

30. At its meeting of 8-9 July 1980, the Textiles Committee considered a report of the Textiles Surveillance Body cataloguing all cases where the provisions of agreements entered into involve variations from the provisions of Annex B of the Textiles Arrangement. The Committee also considered the Report of the Working Group of the Textiles Committee on its detailed examination of adjustment measures. The Committee agreed that the Working Group, together with the Sub-Group established by it, should continue its work on adjustment measures with a view to supplementing and carrying forward the analysis and evaluation of the information contained in the Report. In order to enable the Working Group to complete its task of preparing a comprehensive report, it was agreed that the participating countries concerned should collaborate to furnish the relevant additional data. The Committee also considered the question of a secretariat study in connexion with the major review of the extended Textiles Arrangement to be held at the Autumn meeting of the Textiles Committee. The Committee agreed that the study carried out by the secretariat in the context of Article 10:2 of the Textiles Arrangement should give particular attention to developments in production and trade since 1973, as well as such factors as productivity, employment, etc., and would be relevant for the purpose of an analysis and appreciation of the progress made towards the achievement of the objectives of the Textiles Arrangement, taking into account data on changes in restrictions and tariffs compiled by the TSB. The report on the July meeting of the Committee is contained in COM.TEX/17.

31. The Textiles Surveillance Body has continued to examine new and amended agreements notified to it. It has also prepared its report to the Textiles Committee for the major review of the operation of the Arrangement.

32. The Working Group on Adjustment Measures held further meetings in July and September, and submitted a progress report to the Textiles Committee meeting held in October. It recommended to the Textiles Committee that it, along with the Sub-Group established by it, be empowered to continue its efforts with the objective of presenting its report to the Textiles Committee in early 1981.

33. The Textiles Committee met on 22-27 October 1980 and conducted its major review of the extended Arrangement, on the basis of the TSB's report, the survey by the secretariat on demand, production and trade in textiles, and the Report of the Working Group on Adjustment Measures on progress made since the Committee's meeting in July. In the course of its discussions, the Committee noted certain proposals for further work by the GATT secretariat. These proposals remained on the agenda of the Committee. The Committee agreed that the secretariat should prepare for the next meeting a paper which would bring out more clearly the facts on the basis of available statistics, and, to the extent possible, update existing information with a view to assisting the Committee to make an assessment of the extent to which the objectives of the Arrangement had been achieved. The Committee endorsed the proposal of the Working Group on Adjustment Measures. The report of the Committee on the October meeting is contained in COM.TEX/19.

Training courses

34. The second special training course aimed primarily at assisting government officials from least-developed countries to assess the benefits resulting from the Tokyo Round, took place 28 July-15 August 1980. The course, like the preceding one, was proposed and financially sponsored by Finland, Norway and Sweden.

35. The Fiftieth Commercial Policy Course for developing country trade officials opened on 26 August 1980. The course, for twenty-one French-speaking officials, will run until 16 December 1980.

ANNEX

ACTIVITIES IN OTHER INTERNATIONAL ORGANIZATIONS
RELEVANT TO PART IV

United Nations

1. The Eleventh Special Session of the General Assembly in August/September 1980, decided to refer to the thirty-fifth regular session of the General Assembly matters relevant to launching within the United Nations a new round of global negotiations on international economic co-operation for development. The Special Session took note with satisfaction of the consensus reached on the text of the International Development Strategy for the Third United Nations Development Decade to come into effect and to be implemented as from 1 January 1981. A resolution dealing with measures to meet the critical situation in the least-developed countries was also adopted.

UNCTAD

2. The twenty-first session of the UNCTAD Trade and Development Board was held in September 1980. Agreement was reached on detailed features to guide the handling of the future debt problems of developing countries. Other resolutions or decisions were adopted, dealing with the reverse transfer of technology (brain drain) and calling for further work on in-depth studies analyzing the common problems of developing island countries. Other issues considered included protectionism and structural adjustment; evaluation of the world trade and economic situation; the inter-dependence of problems of trade, development finance and the international monetary system; and the multilateral trade negotiations.

3. The Agreement establishing the Common Fund for Commodities to finance buffer stock and price stabilization schemes for main commodities exported by developing countries was opened for signature on 1 October 1980. It will enter into force after it has been ratified, accepted or approved by at least ninety States accounting for at least two-thirds of the Fund's directly contributed capital of \$470 million. It is scheduled to become operational by the end of 1981. Pending full ratification, a 28-country Preparatory Commission is scheduled to hold its first meeting from 20-24 October 1980, with a view to preparing draft rules and regulations and other policy instruments of the Common Fund for submission to the Governing Council.

4. At its tenth and final session in September/October 1980, the Ad Hoc Intergovernmental Committee for the Integrated Programme for Commodities (IPC) reviewed the progress of work under the Integrated Programme for Commodities since its creation in 1976. In a resolution adopted at the close of the meeting, the ad hoc Committee noted the lack of substantial progress in the negotiations relating to individual commodities covered by resolution 93(IV)

and emphasized the need for instilling a greater sense of urgency in these negotiations. It also recommended that the Committee on Commodities, which will be responsible for work under the IPC in line with a decision by the UNCTAD Trade and Development Board, undertakes a substantive annual review of the progress in the negotiations.

5. The Committee on Commodities met in September/October 1980. In addition to taking over the functions of the Ad Hoc Intergovernmental Committee for the Integrated Programme for Commodities, it addressed the question of its future work programme. In a resolution, the Committee decided to reconvene its Permanent Sub-Committee with a view to identifying problems which impede the greater participation by developing countries in the production and export of commodities in processed form and in the marketing and distribution of their export commodities and to make recommendations for appropriate institutional arrangements for negotiations and/or other action as may be deemed suitable. It also decided to recommend to the UNCTAD Trade and Development Board that it make the appropriate arrangements at its next session to convene a special session of the Committee in 1981 and that the Committee at that session should, inter alia, agree on appropriate measures to expedite the completion of the negotiations on individual commodities under the Integrated Programme for Commodities.

6. At its meeting in July 1980, the Committee on Manufactures reaffirmed the provisions of Resolution 131 of UNCTAD V, calling, inter alia, for continued resistance to protectionist measures and emphasizing the importance of structural adjustment for the containment of protectionism. Another provision in the conclusions adopted by the Committee stated that developing countries should be assisted in establishing and expanding industries which will help them develop and diversify their exports in particular in areas with dynamic export prospects. A separate conclusion on the multilateral trade negotiations urged all countries concerned to work, through a spirit of flexibility, towards achieving the goal of maximum participation in the MTN codes and agreements, in particular by facilitating accession by developing countries and by ensuring the proper implementation of codes and agreements in letter and spirit. The Committee further urged all countries concerned to work on a priority basis in areas of interest to developing countries already identified in the GATT work programme.

7. At the second part of the Fifth Preparatory Meeting on Tropical Timber held in July 1980, a substantial measure of agreement was reached on steps to be taken to finalize elements that could form the basis of an international arrangement for tropical timber covering areas identified at the earlier Meeting such as research and development, market intelligence and reforestation and forest management. An Intergovernmental Group of Experts will meet early in 1981 to draw up a list of projects with costs and to fix priorities. This will be preceded by meetings of experts at the regional level in Asia, Africa and Latin America. As regards market intelligence, the Meeting recognized the need to achieve comparability of trade-related data on

tropical timber and also invited governments of producing and consuming countries to make available to the secretariats of UNCTAD and FAO information on existing data and on means of collecting and disseminating information in that commodity. On the subject of reforestation, the Meeting agreed that efforts under the Integrated Programme for Commodities should be focussed on industrial tropical timber.

International Cocoa Agreement

8. Following the expiry of the International Cocoa Agreement, 1975, on 31 March 1980, a Meeting on Cocoa was held in July/August 1980. At that Meeting, which was attended by all major cocoa exporting and importing countries, an attempt was made to identify a possible basis for the resumption of negotiations on cocoa. At the end of the Meeting, the Chairman concluded that there was a common desire among producing and consuming countries to continue their co-operation in the world cocoa economy and to this end to work towards arriving at a third agreement on cocoa as soon as possible. In this context, the Secretary-General of UNCTAD was requested to urgently pursue his consultations with a view to convening a negotiating conference on a new international cocoa agreement to be held in Geneva during the period 27 October-7 November 1980.

International Coffee Agreement

9. The International Coffee Council, at its thirty-fourth session in September/October 1980, introduced quotas under the International Coffee Agreement. A global quota of 57.37 million bags, distributed among the supplying countries, to operate on the basis of a price range of 115-155 US cents/lb. with effect from 1 October 1980 was negotiated. If the ICQ composite indicator price does not exceed 135 US cents/lb., the quota is cut by 2.4 per cent, with two further cuts of 1.4 million bags each to come into effect at 120 US cents/lb. and a final such cut at 115 US cents/lb. Three similar global quota increases apply when the price is at or above 150 US cents/lb.

International Wheat Council

10. At its session in June 1980, the International Wheat Council discussed the report of the Special Committee and concluded that progress was being made in devising the main elements of a new Wheat Trade Convention. There was general agreement that the Special Committee should continue its work and that it should now attempt to crystallize various elements for negotiations. The Special Committee met from 6-8 October 1980 in order to prepare a cogent formulation of all the negotiable issues and to report to the November 1980 session of the Council.

11. The Food Aid Convention, 1980, negotiated at a Conference of the Food Aid Committee in March 1980, entered into force on 1 July 1980. There are eleven donor members, who have undertaken to contribute a minimum of 7.6 million tons of grains (including rice) annually to developing countries as compared with a total obligation of 4.2 million tons under the 1971 Convention, as extended. The objective of the new Convention is to secure the achievement of at least 10 million tons of food aid annually, the target set by the World Food Conference in 1974.

UNIDO

12. The Second Consultation on the leather and leather products industry was held in June 1980 (Cologne). The Consultation recognized that ground rules were necessary for a healthy, free and fair international trade development having regard to the peculiar circumstances in the field of hides and skins and the leather and leather products industry. It recommended that to examine such a proposal, UNIDO in co-operation with other international organizations competent in production, marketing and trade in leather and leather products should create working groups to study and elaborate this proposal. Other recommendations related to: International Hides and Skins Development Schemes; improvement of statistical intelligence for hides and skins and derived products; establishment of a check-list for contractual agreements in the leather, leather products and footwear industry; setting up production units and design units in developing countries; and management training.

International Monetary Fund

13. The Interim Committee of the IMF, at its meeting in September 1980, discussed the world economic outlook and the policies appropriate in the current situation. The Committee remained convinced that the top priority being given in many countries to the fight against inflation must not be relaxed. Noting the dramatic increases in the deficits of non-oil developing countries, the Committee foresaw a great and urgent need for more official development finance to the low-income countries from the industrial and oil exporting countries. In this context, the Committee underlined the

importance of adequate access to markets for the exports of developing countries and for access to capital markets. The Committee discussed developments in the Fund's policies on the use of its resources and the prospects for the Fund's liquidity, aimed at enabling the Fund to play a larger rôle in the adjustment and financing of the payments imbalances in prospect for many members of the Fund. The Committee endorsed the Executive Board's conclusion that amounts up to an annual limit of 200 per cent of quota (excluding uses under the Compensatory and Buffer Stock Financing Facilities) i.e. for a total of 600 per cent of quota over a three year period, would be a reasonable guideline in the present circumstances. In addition, the Committee welcomed the agreement reached in the Executive Board on the establishment of a Subsidy Account designed to reduce the cost to low-income member countries of the use of the Fund's resources under the Supplementary Financing Facility. The Committee also had a discussion on the recommendations of the Programme of Immediate Action of the Group of 24 and urged the Executive Board to pursue its consideration of the remaining issues raised by these recommendations with a view to arriving at widely acceptable solutions.

The Development Committee

14. The Joint Ministerial Committee of the World Bank and the IMF on the Transfer of Real Resources to Developing Countries (the Development Committee) met in September 1980. The Committee discussed development policy issues and financing requirements in the light of the current and projected international economic situation. It considered medium-term prospects for the world economy and particularly their impact on the oil importing developing countries. The Committee also reviewed relevant issues with respect to the Group of Twenty-Four Programme of Immediate Action and the recommendations of the Brandt Commission. In considering the adjustment effort facing the developing countries, the Committee, inter alia, urged industrial countries not to adopt measures restricting trade or capital flows, and stressed that it was of the utmost importance to ensure that increased external capital flows be made available to the oil importing developing countries, especially to the least developed and other low-income countries. Noting the new and growing demands on the World Bank's resources, the Committee urged the Board of the Bank to explore promptly appropriate ways of expanding the lending capacity of the institution.