

# GENERAL AGREEMENT ON TARIFFS AND TRADE

Sub-Committee on Trade of  
Least-Developed Countries  
15 June 1982

## RECENT DEVELOPMENTS RELATING TO TRADE INTERESTS OF LEAST-DEVELOPED COUNTRIES

Prepared by the Secretariat

1. The Sub-Committee on Trade of Least-Developed Countries has reviewed developments relating to the trade interests of least-developed countries at its earlier meetings, on the basis of background notes prepared by the secretariat (COM.TD/W/LLDC/1 and 2). This note begins with a summary of recent information on the trade position of least-developed countries, relating in particular to movements in export prices, foreign exchange earnings, and current account positions and their financing. In Section two are outlined a number of relevant developments in commercial policy. The review of activities relating to the implementation of Tokyo Round agreements is brought up to date in Section three, followed by an outline of technical assistance provided recently to some least-developed countries. Activities in other international organizations of relevance to the trade interests of least-developed countries are reviewed in Section five, and certain other activities recalled in the final section.

2. Further information on GATT activities relevant to trade interests of developing countries, including the least-developed, is available in documents prepared by the secretariat relating to the implementation of Part IV of the General Agreement and of the provisions of the Enabling Clause (COM.TD/W/355 and Add.1); in documents for the Sub-Committee on Protective Measures; the GATT Council; and other GATT committees and bodies. Delegations might wish to provide the Sub-Committee with relevant additional information, particularly on commercial policy measures taken recently by their authorities or which are being prepared or contemplated.

### I. Foreign Trade and Payments<sup>1</sup>

3. During 1973-1978, export earnings of the least-developed countries as a group grew, on average, half as rapidly as the value of their imports. As a

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<sup>1</sup> More detailed examination of developing countries' trade and payments is contained in International Trade, 1980-81, GATT, Geneva, 1981. Some preliminary indications for 1981 have been provided in press release GATT/1313 issued on 23 March 1982.

result, their trade deficit in 1978 was four to five times larger than in 1973.<sup>1</sup> In 1979, export earnings, which had fallen in 1978, recovered strongly, due to higher export prices and relatively larger exportable supplies, while imports increased in value by about 7 per cent and declined significantly in volume. These countries' overall trade deficit accordingly showed a decline in 1979, to about \$6 billion. In 1980 the growth of exports (12 per cent) lagged considerably behind that of imports (26 per cent), and the trade deficit widened again, to nearly \$8 billion.

4. Information on the trade of the least-developed countries in 1981 is available only for twelve countries and often does not cover the whole year (see Table 1). In 1981 import values generally levelled off, declining slightly following difficulties in financing the large current account deficits resulting mainly from growing deficits in merchandise trade during 1980.

5. Export earnings of six least-developed countries declined in 1981 (for the year as a whole or for the period for which data are available). Three least-developed countries recorded modest increases, of about 5 per cent. In three others export earnings rose more substantially, after falling in 1980, and one country reported substantial growth in export earnings for the second consecutive year.

6. The generally unfavourable development in export earnings during 1981 stemmed both from a low increase in export volumes and almost general decline in their prices during the year. As can be seen in Table 2, prices of major primary commodities exported by the least-developed countries were generally lower in the last quarter of 1981 than in the same period in 1980. The strongest declines were recorded for sugar (by two thirds), cotton (by one quarter), groundnut oil (by one fifth), groundnuts and sisal (each by 14 per cent), coffee (by 9 per cent) and tea (by 6 per cent). In the first quarter of 1982, prices of the main primary commodities exported by the least-developed countries remained generally below their level in the corresponding period in 1981.

7. As shown in Table 3, most of the countries for which data are available managed to reduce their trade deficit in 1981, mainly following a strong contraction in the dollar value of imports.

8. From trade statistics of the developed areas (which as a group account for about two thirds of least-developed countries' exports and imports) it appears, however, that the trade deficit of least-developed countries, taken together, with developed areas, increased further in 1981, largely as a result of a 15 per cent decline in least-developed countries' exports.

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<sup>1</sup> Trade balances are based on customs data: export (f.o.b.) less imports (c.i.f.)

9. Due mainly to a larger aggregate trade deficit, least-developed economies were faced in 1981 with a still growing current account deficit, which could not be entirely financed by official development assistance, their main source of external payments financing. Many least-developed countries thus had to run down their international reserves during 1981. For least-developed countries, to an even greater extent than for other developing countries, sluggish growth in export volume, deteriorating terms of trade, and difficulties in financing current account deficits without significant losses in reserves, continue to be a major problem affecting their foreign trade and payments, and trade relations.

## II. Developments in Commercial Policy

### Tariffs

10. Contracting parties which had made m.f.n. tariff concessions in the Tokyo Round applied the third tranche of their annual tariff cuts with effect from 1 January 1982. Japan's advance implementation of its tariff reductions, two years ahead of its MTN scheduled concessions, came into effect on 1 April 1982, and would reduce Japan's unweighted tariff average to 3.2 per cent.

11. The following paragraphs bring up to date actions by developed countries under their Generalized Systems of Preferences (GSP). By May 1982, the following countries or markets provide special tariff treatment for least-developed countries under their GSP schemes: Austria, Bulgaria, Czechoslovakia, EEC, Finland, Hungary, Japan, Norway and Poland. There are indications that Canada and Switzerland could introduce similar treatment in their schemes in the near future. On 1 January 1982, Austria introduced special tariff treatment for least-developed countries under the Customs Preference Act, 1982. Industrial products (CCCN chapters 25-99) originating in least-developed countries now enjoy duty-free treatment across the board, except for textiles which are chargeable at 50 per cent of applicable m.f.n. rates. Imports from least-developed countries of agricultural products included in the Austrian GSP scheme enjoy duty-free treatment in most cases. In many others, a substantially lower preferential rate is applied. The improvements made in the EEC's GSP scheme for 1982 include duty-free treatment for least-developed countries on ten additional products (e.g. various meat products, fish items, certain seasonal vegetables, certain preserved fruit and cocoa beans), and fishmeal which had been subject to a reduced LLDC rate of 9 per cent. Least-developed countries now enjoy duty-free treatment on all products covered by the scheme.

12. Hungary's GSP has exempted imports from least-developed countries from duty, as reported in COM.TD/W/LLDC/2, paragraph 17. Duty-free treatment has been extended to Bhutan, Comoros, Western Samoa and Cape Verde from August 1981, and to Guinea-Bissau from April 1982. Improvements made in the GSP scheme of Japan as of 1 April 1982 include the extension of special treatment for least-developed countries to Guinea-Bissau. On 1 August 1981 Norway included Guinea-Bissau, Cape Verde and the Comoros in the list of least-developed countries eligible for duty-free treatment for all products. Poland has extended duty-free treatment to all products imported from least-developed countries. Czechoslovakia has, from 3 December 1981, increased the number of least-developed countries eligible for duty-free treatment for all products under its GSP from twenty-one to twenty-seven.

13. A series of plurilateral and bilateral consultations on tropical products, together with plurilateral consultations on quantitative and other import restrictions, were held during March 1982 in furtherance of an agreement reached at the forty-fifth session of the Committee on Trade and Development on 12 and 13 November 1981. This required that such consultations be undertaken to provide "a more systematic identification and analysis of trade problems and examination of possibilities for, and ways of, making further progress" in Liberalizing trade (L/5253). In the tropical product consultations, representatives of developed and developing countries reviewed, on specific product-bases, the general trade situation and sought to identify and analyse particular trade and commercial policy problems (COM.TD/W/363). Identification and examination of particular problems were also carried out in the area of quantitative and other import restrictions (Spec(82)34). In his summing-up of the discussion on the Programme of Consultations on Trade Liberalization at the forty-sixth session of the Committee on Trade and Development (document COM.TD/110), the Chairman noted that "The Committee agreed that there is scope for further work in this area, with a view to seeking means of further liberalizing trade in products of interest to developing countries. It also agreed that the meeting of the CONTRACTING PARTIES at ministerial level in November 1982 presents an opportunity for the consideration of specific measures of trade liberalization and appropriate modalities for carrying forward the unfinished process of liberalization in this area. It agreed that it could carry out preparatory work to this end, with a view to facilitating decisions by Ministers."

### III. Agreements on Non-Tariff Measures

14. Since the last meeting of the Sub-Committee, most committees on non-tariff measures, established in Tokyo Round agreements on non-tariff measures, have carried out annual or semi-annual reviews of the implementation of provisions in their respective agreements, as required by individual agreements. Of special interest to developing countries and the least-developed countries were questions relating to differential treatment for developing countries generally and least-developed countries, arising out of specific provisions in certain individual agreements. Also of interest in some agreements were provisions regarding the provision of technical assistance by developed countries to developing countries.

15. The annual review of the Agreement on Customs Valuation was undertaken by the Committee on Customs Valuation on 4-5 November 1981 (document VAL/W/4/Rev.1), and covered the operation of the Agreement as a whole, as well as specific actions taken by signatories to ensure proper implementation of particular provisions. On technical assistance, to developing and least-developed countries, the Committee agreed that this subject was important enough to remain a continuing item on its agenda, reflecting the need to ensure that the specific requirements of developing countries for technical assistance relating to customs valuation and the operation of the Agreement could be continually reviewed. Developing countries were urged to examine their needs in this area and to develop concrete requests as soon as possible, where necessary with the assistance of developed country signatories to the Agreement.

16. In the first annual review of the implementation of the Agreement on Government Procurement, held from 13 to 15 October and reported in document GPR/W/9/Rev.1, relevant actions were outlined which had been taken by parties to the Agreement in relation to the provisions of Article III, on special and differential treatment for developing countries. A number of developed countries declared their readiness to consider requests for technical assistance from developing countries, and especially from the least-developed countries, designed to enlarge possibilities for deriving concrete advantage from the operation of the Agreement. Regarding preferential treatment under paragraph 11, the Government of Canada notified its decision to extend unilaterally the benefits of the Agreement to a number of least-developed countries.

17. The Committee on Technical Barriers to Trade carried out its second annual review from 20 to 23 October 1981 (document TBT/6/Suppl.1 and 2), during which participants discussed, on the basis of secretariat notes, various aspects of the implementation of the Agreement. These included legislative, regulatory and administrative action taken by various governments to ensure the application of the provisions of the Agreement; notification; technical assistance; special and differential treatment; dispute settlement; and testing procedures and acceptance of test results. The discussion on technical assistance to developing countries had as a basis a factual secretariat paper (document TBT/W/28 and Suppl.1) describing technical assistance being given to developing countries in the field of standardization. Technical assistance offered by various developed countries include seminars, training schemes, workshops, provision of technical advisors, and the provision of information on national laws and regulations, etc. It was noted that technical assistance was also offered by various inter-governmental and multilateral agencies.

#### IV. Technical Assistance

18. The technical assistance programme of the secretariat continues to give priority attention to requests for assistance from the least-developed countries. The secretariat has also provided to interested delegations from least-developed countries information and clarification regarding provisions in a number of agreements on non-tariff measures negotiated in the MTN. Several officials from these countries have taken advantage of visits to Geneva to discuss with the secretariat matters of interest to their countries relating to the GATT work programme, including in particular certain issues which may be considered at the forthcoming Ministerial session of the CONTRACTING PARTIES in November 1982.

19. The secretariat stands ready to provide to interested least-developed countries technical assistance on specific issues of interest to them falling within the work programme of the Sub-Committee and that of other GATT committees and bodies. It might be helpful if delegations were to make specific comments on and suggestions relating to the nature and scope of technical assistance that they may require, taking into account the terms of reference of the Sub-Committee, its work programme, and the work that is being undertaken in the area of trade of least-developed countries and of developing countries generally.

#### V. Activities in Other International Organizations

20. The United Nations Conference on the Least-Developed Countries, held in Paris from 1-14 September 1981, adopted a Substantial New Programme of Action for the 1980s (SNPA), comprising domestic and international support measures to be undertaken broadly within the framework of the International Development Strategy and the broader context of decisions and resolutions towards a new international economic order. In the area of multilateral commercial policy, the SNPA proposed a number of measures requiring greatly intensified efforts by the international community to develop and promote adequate markets and secure access for exports of least-developed countries. Of direct interest to the Sub-Committee, it was recommended in the SNPA that the GATT Council consider prolonging the life of the Sub-Committee, as it provided a useful forum for dialogue and could make a valuable contribution to the review of the implementation of relevant elements in the SNPA. The United Nations General Assembly at its 36th Session adopted Resolution 36/194 which, among other things, endorsed the SNPA and called on member States as well as intergovernmental and multilateral institutions, organizations and bodies of the UN system, and others concerned to take immediate, concrete and adequate measures towards the implementation of the SNPA. The Resolution specifically urged donor countries to implement financial and assistance commitments contained in paragraphs 61 to 69 of the SNPA. Also included were outline arrangements, at national, regional and international levels, for regular monitoring and review of progress in the implementation of the SNPA.

21. It will be recalled that the Committee on Trade and Development has decided to prolong the life of its Sub-Committee on Trade of Least-Developed Countries (document L/5253).
22. Working parties of the Preparatory Commission for the Common Fund have examined draft rules and regulations for operations under the First and Second Accounts of the Common Fund. Regarding the latter, special emphasis has been given to elaborating lending policies and operational criteria, and the institution of general requirements relating to loan and guarantee agreements. The fourth session of Working Party II, from 22 to 26 March, received and discussed the views of international commodity organizations (ICOs) on draft regulations for the First Account and on a draft Model Association Agreement elaborating further formal and operational relations between the Common Fund and ICOs.
23. Several meetings have been held under UNCTAD's Integrated Programme for Commodities and FAO auspices, respectively. The following report is limited to those in which least-developed countries have direct trade interests and in which some of these countries have participated.
24. The Third Preparatory Meeting on Meat, held from 30 November to 4 December 1981, recommended that a co-ordinated international programme should be developed covering research and development, market promotion, and related development measures. Individual country or sub-regional project profiles were to be elaborated into full projects by the FAO and UNCTAD with a view to their being sponsored by the FAO Intergovernmental Group on Meat for financing by the Second Account of the Common Fund. It was also resolved that the UNCTAD Committee on Commodities could consider whether hides and skins could be given a special position in international commodity agreements, separate from that of meat, on a similar footing to that of other commodities covered by the Integrated Programme for Commodities.
25. An Intergovernmental Group of Experts on Research and Development for Tropical Timber was convened from 16 to 20 November 1981, to review draft regional programmes for research and development based on proposals submitted by producing countries. The Intergovernmental Group of Experts on Market Intelligence in the Tropical Timber Trade, which met from 23-27 November, proposed a mechanism for monitoring and evaluation of market trends and for periodic meetings between producers and consumers on market conditions and short-medium term prospects.
26. Leading tea exporting countries, including some least-developed countries, met in New Delhi from 8 to 12 February 1981 to discuss a draft framework for an international agreement on tea, developed jointly by FAO and UNCTAD. This framework provided for international supply management, mainly through export quotas as the basic approach towards price stabilization, for establishing export product standards, and for undertaking research into possibilities for raising productivity, improving quality, and stimulating consumption. These elements were considered by the Intergovernmental Group of Experts on Tea when it met from 3 to 7 May 1982, and its report was later discussed by the Third Preparatory Meeting on Tea.

27. The FAO Intergovernmental Group on Jute, Kenaf and Allied Fibres met in December 1981, when it reviewed, among other things, the current situation and prospects for major producers and secondary supplying countries; barriers to trade; and research and development. Regarding barriers to trade, the Group decided that its discussions had been useful, and that the matter should be kept under constant review. The sixteenth session of the FAO Intergovernmental Group on Oilseeds, Oils and Fats, held from 22 to 26 March 1982, reviewed the current situation and short-term outlook, the possibility that a tax on domestic and imported oils could be imposed in a major importing market, and possible actions towards the implementation of guidelines for international co-operation in the oilseeds, oil and oilmeals sector. The FAO Committee on World Food Security, at its seventh session from 31 March to 7 April 1982, considered the world food situation and its possible evolution. It agreed that faster and sustained growth particularly in low-income food-deficit countries, and remunerative and relatively stable prices, offered the only durable basis for a permanent solution to the problem of food security. The Committee also reviewed a number of projects being carried out under the Food Security Assistance Scheme, intended to contribute to the development of food reserve stocks in developing countries.

#### VI. Other Activities

28. The Working Party on the Second ACP-EEC Convention of Lomé, established by the GATT Council "to examine (the Convention) in the light of the relevant provisions of the General Agreement", met on 23 and 24 February 1982. In the report, adopted by the Council on 31 March 1982, the Chairman of the Working Party stated that it had discussed a number of elements in the Second Convention involving modifications of and improvements to certain provisions contained in the First Convention, including trade co-operation arrangements, the STABEX scheme, and the introduction of a broadly similar mechanism covering mineral products. It had also considered possible effects of the operation of the trade provisions of the Convention on third party trade interests, as well as certain new features. The Working Party reflected a wide measure of support for the view that the purposes and objectives of the Convention were consistent with those embodied in the General Agreement. The parties to the Convention had taken the view that its trade provisions were compatible with the relevant provisions in the General Agreement. Some members of the Working Party had expressed doubts that certain trade provisions in the Convention might not be fully justifiable, formally, in terms of specific legal requirements in the General Agreement. It had been understood by members of the Working Party that the Convention could in no way be considered as affecting the legal rights of contracting parties under the General Agreement.



TABLE I. FOREIGN TRADE OF THE LEAST DEVELOPED COUNTRIES, 1973/1980  
(Million dollars and percentages)

	Exports (f.o.b.)					Imports (c.i.f.)				
	1979 Million dollars	Average annual change				1979 Million dollars	Average annual change			
		1973-1978	1979	1980	1981		1973-1978	1979	1980	1981
<b>ALL LEAST DEVELOPED COUNTRIES</b>	<b>(5 750)</b>	<b>(11)</b>	<b>(23)</b>	<b>(12)</b>	<b>..</b>	<b>(11 850)</b>	<b>(22)</b>	<b>(7)</b>	<b>(26)</b>	<b>..</b>
Afghanistan <sup>a</sup>	494	15	53½	41	5	686	30	½	39	6½
Bangladesh	666	9	21½	14	4½	1 937	12	25	36	-10½
Benin	40	-9½	54	..	..	320	19	20	..	..
Bhutan	..	..	..	..	..	..	..	..	..	..
Botswana	436	21½	96½	15	-18	500	16½	41½	32½	16
Burundi	104	17½	50½	-37½	15	152	26	55	10½	-1
Cape Verde	4	15	0	..	..	40	8	-20	..	..
Central African Rep.	80	14	11	44	..	70	1	27½	16	..
Chad	58	5½	16	..	..	140	11½	0	..	..
Comoros	15	15	50	..	..	24	10	0	..	..
Ethiopia	424	5	38½	2	-14½ <sup>b</sup>	555	16	22	27½	1½ <sup>b</sup>
Gambia	58	14	45	-45	-15½	141	25½	40	16½	-25½
Guinea	280	40	-5	..	..	190	27	-19	..	..
Haiti	185	23	21½	5	-25½ <sup>c</sup>	(260)	21½	(17½)	42	..
Laos People's Dem. Rep.	20	17	82	..	..	64	2½	0	..	..
Lesotho	40	19	29	..	..	170	14½	0	..	..
Malawi	233	13½	26½	32	-1½	400	19½	18½	10½	-20
Maldives	10	6½	100	..	..	5	6	25	..	..
Mali	147	16½	31½	20	..	360	22	26½	16	..
Nepal	109	7½	20	-26½	52½	254	16½	15	34½	11½
Niger	210	20½	33	..	..	290	23	21	..	..
Rwanda	119	17	65½	-39½	..	200	39	11½	..	..
Samoa	18	9½	63½	-5½	..	73	17	37½	-12½	..
Somalia	110	14½	3	27	29½ <sup>c</sup>	290	17½	20½	-4	-49 <sup>c</sup>
Sudan	548	4½	14	14	21	1 124	22	-6	42	-10
Uganda	427	2	22	-21	..	180	13½	-41½	49	..
United Rep. of Tanzania	544	5½	14	-6½	4½ <sup>b</sup>	1 100	18	-4	14½	0 <sup>b</sup>
Upper Volta	76	11½	76½	17	-3 <sup>c</sup>	300	24	32½	19	-10½ <sup>c</sup>
Yemen, Arab Rep.	14	-2½	100	..	..	1 492	60	16½	..	..
Yemen, Dem. Rep.	250	17	13	67	..	480	28½	-20	65	..

<sup>a</sup>Year beginning 21 March of the year stated. <sup>b</sup>January-August. <sup>c</sup>January-September.

Sources: IMF, *International Financial Statistics*, Ma. 1982; UN, *Monthly Bulletin of Statistics*, April 1982; UN/UNCTAD, *Handbook of International Trade and Development Statistics*; Supplement 1980.

TABLE 2. - PRICES OF MAIN PRIMARY COMMODITIES  
EXPORTED BY LEAST DEVELOPED COUNTRIES  
(Indices, 1975 = 100 and percentage changes)

	1979	1980	1981	1981				1982	Percentage changes			
				Q1	Q2	Q3	Q4		1981 over 1980	1981 over 1980	1981 over 1980	1982 over 1981
Coffee	242	239	192	207	201	174	188	192	-19½	-8½	-7	
Cocoa	243	192	152	153	138	160	157	151	-21	-2½	-1½	
Tea	158	161	148	157	150	137	147	151	-8	-6	-4	
Sugar	48	139	84	122	82	72	60	62	-39½	-65½	-49	
Groundnuts	122	107	137	140	160	150	99	94	28	-14½	-33	
Groundnut oil	114	108	135	142	147	147	105	86	25	-21½	-39½	
Cotton	133	156	144	161	154	140	123	115	-7½	-25½	-28½	
Jute	111	108	108	111	108	100	112	112	-	-2	1	
Sisal	105	120	102	110	104	102	97	93	-14	-13½	-15½	
Tobacco	130	137	155	147	147	160	165	173	13	15½	17½	

Source: UN printouts.

TABLE 3. - TRADE BALANCES<sup>a</sup> OF THE LEAST DEVELOPED COUNTRIES  
IN 1979, 1980 AND 1981  
(Million dollars)

	1979	1980	1980	1981	Period covered
	year				
Afghanistan <sup>b</sup>	-192	+232	+232	+239	Jan-Dec
Bangladesh	-1 271	-1 865	-1 865	-1 547	Jan-Dec
Benin	-280	..			
Bhutan	..	..			
Botswana	-64	-188	-188	-387	Jan-Dec
Burundi	-48	-103	-103	-91	Jan-Dec
Cape Verde Islands	-36	..			
Central African Rep.	+10	-46			
Chad	-82	..			
Comoros	-9	..			
Ethiopia	-131	-297	-129	-183	Jan-Aug
Gambia	-83	-132	-132	-95	Jan-Dec
Guinea	+90	..			
Haiti	-65	-183			
Lao People's Dem. Rep.	-44	..			
Lesotho	-130	..			
Malawi	-167	-144	-144	-60	Jan-Dec
Maldives	+5	..			
Mali	-213	-241			
Nepal	-145	-262	-262	-259	Jan-Dec
Niger	-80	..			
Rwanda	-81	..			
Samoa	-55	-46			
Somalia	-180	-134	-117	+4	Jan-Sept
Sudan	-577	-1 033	-1 033	-760	Jan-Dec
Uganda	+247	+52			
United Rep. of Tanzania	-556	-750	-446	-429	Jan-Aug
Upper Volta	-224	-269	-212	-185	Jan-Sept
Yemen, Arab Republic	-1 478	..			
Yemen, Democratic	-230	-748			

<sup>a</sup>Exports f.o.b. minus imports c.i.f.

<sup>b</sup>Year beginning 21 March of the year stated.

Sources: IMF, International Financial Statistics, May 1982; UN, Monthly Bulletin of Statistics, April 1982; UN/UNCTAD, Handbook of International Trade and Development Statistics, 1982.