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Twenty-Fifth Session

REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT

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Introduction

1. The Committee on Trade and Development last reported to the CONTRACTING PARTIES during the twenty-fourth session (BISD, Fifteenth Supplement, pages 139-155); since then the Committee has held two sessions, one in June 1968 and the other in November 1968. The secretariat note on the meeting held in June 1968 was circulated in COM.TD/56. The present report covers the work of these sessions and reviews the implementation of Part IV. It sets out the Committee's recommendations and suggestions for consideration by the CONTRACTING PARTIES at their twenty-fifth session.

I. Implementation of Part IV

2. The Committee noted that nine contracting parties had not yet accepted the Protocol introducing the provisions of Part IV, and that seven of these, including one important developed country, had given no indication of their intention concerning the acceptance of the Protocol. The Committee wishes to draw the attention of the CONTRACTING PARTIES to this situation and proposes that the CONTRACTING PARTIES once again urge the governments concerned to give early consideration to this matter.

3. The Committee took note of reports submitted by governments on the implementation of Part IV (CCM.TD/60 and Addenda) and of oral statements made by representatives at the meeting by way of supplementing the information provided in the written submissions. The Committee also noted the steps taken by contracting parties in implementing the concessions negotiated during the Kennedy Round. The Committee took note of reports and statements by some members on advance implementation of concessions on products of export interest to developing countries (COM.TD/53, paragraph 4) and urged developed contracting parties to continue to explore the

possibility of implementing concessions individually or jointly on additional items of interest to developing countries immediately and without phasing. The Committee also took note of notifications and statements by developing countries on efforts they were making to expand trade among themselves.

4. Members of the Committee representing developing countries expressed appreciation for the various positive measures taken by developed contracting parties to implement the provisions of Part IV. They felt, nevertheless, that in view of the continued deterioration in the trade situation of developing countries vis-à-vis developed countries as indicated in the secretariat note on trends in commodity trade (COM.TD/59) much remained to be done urgently if the objectives and aims of Part IV were to be achieved. In this connexion they drew attention to the continued application of import restrictions by some developed countries on products of interest to developing countries, particularly on processed and semi-processed primary products, and to the harmful effects of measures of agricultural protection and subsidies on the trade of developing countries. Concern was also expressed on the possibility of similar measures being taken in the future.

5. The representative of one developing country drew attention to the imposition of a custom duty by one developed country on a certain product of export interest to developing countries and stated that this action appeared to be inconsistent with the "stand-still" provision in Article XXXVII. The representative of the developed country concerned pointed out that the action was taken in accordance with Article XIX of the Agreement and in the view of his delegation was not inconsistent with the provisions of Part IV. This matter was at present under active consideration by his Government.

6. The representatives of developing countries emphasized that measures which would enable developing countries to expand their trade and increase their export earnings would benefit not only these countries but would stimulate international trade generally. They further stressed that measures taken in favour of developing countries should be on a sufficiently broad front so that developing countries with differing composition and structure of export trade can benefit from them. In their view in order to achieve these goals and to attain a more meaningful implementation of Part IV, a more comprehensive and vigorous application of its provisions was required. While isolated measures taken by individual developed countries were commendable there was need for a systematic and concerted approach in dealing with the trade problems of developing countries. It was therefore imperative for the Committee and for the CONTRACTING PARTIES in considering their future work to make arrangements for a re-examination of the provisions of Part IV with a view to finding more concrete ways of achieving its objectives in a systematic and concerted manner.

7. It was also pointed out by some members that while efforts were indeed made by developed countries during the Kennedy Round to take into account the concerns of developing countries, the results of those negotiations had shown that new mechanisms were needed to ensure the effective and fruitful participation of developing countries in such trade negotiations. Some members of the Committee also stressed the importance of the early adoption of a non-discriminatory scheme of preferences in favour of developing countries and expressed the hope that the GATT would collaborate in the effort to work out such a scheme.

8. Some members of the Committee noted that some contracting parties had made references in their notifications to action taken by them in the field of governmental assistance to industrial adjustment. They suggested that following the work carried out recently by the Group on Residual Restrictions, attention should again be given within the framework of the Committee to the use of adjustment assistance measures by developed countries as a means of facilitating liberalization of imports from developing countries. It was suggested that future notifications by governments on the implementation of Part IV should, where appropriate, include detailed information on the use of adjustment assistance measures, along the lines suggested in paragraph 29 of the Committee's report to the twenty-third session (BISD, Fourteenth Supplement, page 135) and that the existing mechanism for the examination of such information should be reactivated.

9. In the context of the review, the Committee also discussed the activities in certain other organs of GATT which were relevant to the objectives of Part IV (cf. COM.TD/63). It was agreed that the Committee would, on the basis of information received, keep in close touch with the activities of other GATT bodies in so far as they involved the interests of developing countries, with a view to ensuring that these were taken fully into account in the Committee's deliberations and in any solutions reached.

10. The Committee also took note of a secretariat note on developments in other international organizations (COM.TD/61) and heard a statement by the representative of the UNCTAD on recent activities in that organization of interest to the Committee including studies on tariff and non-tariff barriers. He referred to the decision taken at the UNCTAD Board that contacts and consultations should be maintained between the secretariats of UNCTAD and GATT in order to facilitate the harmonious development of the activities of the two bodies with a view, wherever possible, to avoiding duplication and exploring further possibilities of joint or co-ordinated action by UNCTAD and GATT.

II. Residual import restrictions affecting the exports of developing countries

11. At its eleventh session, held in June 1968, the Committee agreed that the Group on Residual Restrictions should resume its work on the basis of its original terms of reference and of an up-to-date list of import restrictions affecting products of export interest to developing countries. Such a list was drawn up by the secretariat (COM.TD/W/76 and Corr.1). The Group held four meetings in October 1968 and had discussions with thirteen developed countries which maintained the restrictions. The Group took note of the measures of liberalization taken by the countries concerned in the past year, and discussed the circumstances in which the continued application of the remaining restrictions was considered necessary at the present time as well as the prospects of the restrictions being removed in the near future. The report of the Group (COM.TD/58) indicated that while some progress had again been made in the past year in the elimination of restrictions, the number of products remaining subject to restriction in some developed countries was still considerable. Members of the Group stressed the importance and urgency of securing the early elimination of the remaining restrictions and particularly regretted that the contracting parties concerned were not even prepared to announce target dates for such action. On the suggestion of the Group, the Committee wishes to bring to the attention of

the CONTRACTING PARTIES the fact that one important developed contracting party had not, as yet, seen its way to taking part in the work of the Group. Since the information on the residual restrictions maintained by that country was not available to it, the Group has not been in a position to discuss one important segment of the residual restrictions of particular concern to developing countries.

12. In its report, the Group on Residual Restrictions referred to various proposals on further action, with a view to securing the removal of the remaining restrictions. In accordance with the suggestion made by the Group, the Committee agreed to revert to the subject of residual restrictions affecting products of export interest to developing countries after the twenty-fifth session and to review the question in the light of the outcome of the discussions at that session on the New Zealand proposal concerning residual restrictions in general, taking into account discussions at previous sessions of the CONTRACTING PARTIES and the views expressed in the Group. It was suggested that, in the meantime, the secretariat could proceed with the task of seeking additional information from contracting parties on residual restrictions maintained by them, with the objective of facilitating any further review of these restrictions that might be undertaken in the Committee.

III. Application of the principle of non-reciprocity in trade negotiations

13. The Committee discussed the application of the principle of non-reciprocity in trade negotiations between developed and developing countries following a suggestion by certain members that there was need for a more precise interpretation of the provisions of paragraph 8 of Article XXXVI and the interpretative note to that paragraph. The Committee had before it a note by the secretariat summarizing past discussions in the GATT on the principle of non-reciprocity (COM.TD/W/79).

14. In the discussions some members of the Committee referred to their experience in recent negotiations with certain developed countries which showed that different contracting parties seemed to have different concepts as to the contribution that a developing country could be expected to make in trade negotiations, especially those under paragraph 4 of Article XXVIII. In their view some criteria should be worked out to ensure that the requests by developed countries for contributions from developing countries in trade negotiations would be truly in line with the principle laid down in those provisions in relation to the development, trade and financial needs of these countries. At any rate, they considered that it was the developing countries themselves which could best determine the consistency of any contribution demanded of them with those needs. They further suggested that contributions should not be expected which either individually or in their sum total would be inconsistent with these needs and were onerous in either qualitative or quantitative terms. Some members also pointed out that, in assessing the contributions made by developing countries, account should be taken of the acceptance by developing countries of such reductions and adjustments in existing tariff benefits as arose, for example, from loss or elimination of existing margins of preferences.

15. Members of the Committee representing developed countries reaffirmed the full intention of their governments to apply the principle of non-reciprocity as accepted by Ministers and embodied in Part IV of the General Agreement. Some of these members, however, felt that it was not possible to work out a priori rules for the application of this principle, since the situation varied in respect to individual countries and individual products. These members pointed out that the question was one of practical application. In the Kennedy Round, for example, certain developed countries had presented suggestions to certain developing countries as to the contribution they might make, but they had not made the full acceptance of those suggestions a pre-condition for the maintenance of their own offers on items of interest to developing countries. In their view, the provisions of Article XXXVI:8, however did not relieve developing countries from the obligation to make contributions as a counterpart for the benefits received to the fullest extent possible not inconsistent with their development, trade and financial needs. It was pointed out by some members that, in the long run, if the economies of developing countries were to develop more efficiently and competitively, it would be in the interests of these countries periodically to examine their protective policies and to assume some commitments. Even if it were for each developing country to determine whether it could or could not make a particular concession consistently with its development, financial and trade needs, there was nothing in Part IV which would oblige the developed country to conclude a negotiation on terms laid down by the developing country. A pragmatic approach was therefore necessary.

16. Some members representing developed countries pointed out that renegotiations under Article XXVIII were fundamentally different from new negotiations under Article XXVIII bis. In the former contracting parties are to endeavour to maintain a general level of reciprocal and mutually advantageous concessions not less favourable to trade than those provided in the GATT before such negotiations. The principle of non-reciprocity should not be applied in such a way as to lead to an erosion of the general level of bindings, especially as the tariff concessions bound in the schedule of a developing country were not always the results of a balanced exchange of concessions with developed countries. Furthermore the provisions of Article XXXVI:8 referred only to the contributions to be expected of developing countries and did not affect the rights of contracting parties under paragraphs 3 and 4 of Article XXVIII relating to the compensatory withdrawal of concessions should agreement not be reached in negotiations arising from the modification or withdrawal of concessions. The representatives of certain developing countries observed that the interpretative note to paragraph 8 of Article XXXVI recognized that the principle of non-reciprocity was applicable to Article XXVIII as well as Article XXVIII bis negotiations. Further, developing countries had generally given tariff bindings in pre-Kennedy Round negotiations on the basis of reciprocity and in many cases due to changes in their tariff structure there had been considerable appreciation in the value of concessions originally granted to developed countries. In view

of this, a developing country should have the right to adjust its concessions in the light of its development, trade and financial needs and should be expected to restore the original balance of concessions only to the extent not inconsistent with those needs. Any other approach would tend to penalize those developing countries who had acceded to the GATT before the principle of non-reciprocity came to be formally accepted and would invite practical problems for their efforts to achieve a more rational tariff structure.

17. In view of general interest shown by members of the Committee in this matter and considering its importance in relation to the structure of the General Agreement, the Committee agreed that these questions might be further considered at a later stage. Meanwhile, it was to be expected that any difficulties that might arise in actual negotiations would be resolved on a basis of mutual understanding in the light of the exchange of views that have taken place.

IV. Tariff reclassification for liberalization of imports

18. At the twenty-fourth session, the CONTRACTING PARTIES urged developed countries to give early and sympathetic consideration to requests by developing countries for the separate identification in their tariffs of products for which developing countries sought further tariff concessions or duty-free entry.

19. The Committee subsequently considered this matter on the basis of information supplied by the secretariat on certain action taken in this regard by developed contracting parties during the Kennedy Round negotiations, as well as supplementary information supplied by delegations at its meetings covering also action taken since the Kennedy Round, particularly in regard to hand-made and hand-loom products. The Committee noted the statements of certain developed contracting parties that they would give careful attention to further possibilities for action in this field especially on the basis of specific requests by developing countries. Some members expressed the view that this technique was relevant not only for action in the tariff field but also useful in relation to other commercial policy action, such as the removal of import restrictions. The Committee noted that the secretariat intended to complete the information provided in its document (COM.TD/55). It also took note of the work on tariff reclassification, particularly the technical aspects of the matter which was being carried out by the UNCTAD in collaboration with the Customs Co-operation Council.

20. The Committee agreed that this question should continue to appear on the agenda of its meetings and that governments should be invited to provide information on this subject in their notifications on the implementation of Part IV.

V. Special tariff problems

21. At the twenty-fourth session, the CONTRACTING PARTIES agreed on a series of studies concerning tariff and trade problems faced by developing countries. While steps were taken by the secretariat immediately after that session to prepare for these studies, it became evident that a comprehensive approach to those problems could best be undertaken only after the comprehensive data which are to be collected in connexion with the general tariff study on industrial products undertaken on behalf of the Committee on Trade in Industrial Products have become available. In the meantime, the secretariat had attempted two preliminary studies, one on differential tariff rates affecting processed goods of export interest to developing countries in particular sectors (COM.TD/W/74) and the other on the effects of specific duties on the exports of developing countries (COM.TD/W/81). The first study describes the incidence of tariff rates in the major import markets on copper and copper products at different stages of processing. The second study, while providing no conclusive evidence in respect of all products, tends to show that, in respect of some products, specific duties tend to have a substantially higher incidence on imports from developing countries than on imports falling under the same tariff headings from developed countries. These two studies were presented to the Committee in June and November respectively.

22. These secretariat papers provided the basis for a preliminary exchange of views in the Committee. Members of the Committee thought it fit to withhold definitive judgment on their contents pending detailed and technical examination by experts in their governments. Other members felt that the papers had fairly clearly delineated the two important aspects of the tariff problems faced by developing countries. Members agreed that the secretariat should continue with these studies. It was further agreed that the Group of Technical Experts set up by the Committee on Trade in Industrial Products (see L/3083), suitably expanded if necessary should be requested to examine the study on specific duties, with a view to suggesting how it might be supplemented or improved and thus facilitating further consideration of the matter.

VI. Report of the Advisory Group on the International Trade Centre

23. In taking note of the report of the GATT/UNCTAD Advisory Group on the International Trade Centre (ITC/AG/2) the Committee welcomed the report as a concrete example of the co-operation being developed between UNCTAD and GATT. Many members of the Committee stressed the need for the full endorsement of the report by the CONTRACTING PARTIES so that the Centre might be enabled to carry out effectively the minimal programme of work which had been recommended by the Advisory Group and could count on the necessary financial resources being made available to it for the purpose. Members of the Committee welcomed the support given to the Centre by developed countries and expressed their particular appreciation for the unilateral contributions which had been made by certain developed countries to the work of the Centre. They hoped that developed countries would continue to provide such contribution and support.

VII. Future work programme

24. In considering its future work programme in the light of Part IV, the Committee agreed that, apart from the further consideration of problems in the field of tariffs and residual restrictions to which a reference has been made earlier in this report, it should continue to provide an opportunity for an exchange of views on work in other GATT bodies of interest to the Committee's work so that, where necessary, the attention of these bodies could be drawn to any specific concerns of developing countries that are brought forward for discussion. It was noted that the secretariat would keep the Committee informed of developments in the work of these bodies of interest to developing countries.

25. The Committee further agreed that, following the work recently carried out by the Group on Residual Restrictions, it would be opportune for the Group on Adjustment Assistance to resume its work. A meeting of this Group should be arranged after the secretariat has obtained specific and up-to-date information from governments along the lines of the suggestions contained in paragraph 29 of the report of the Committee to the twenty-third session (BISD, Fourteenth Supplement, page 135).

26. Following its discussion on the review of the implementation of Part IV, the Committee gave careful consideration to a suggestion that a working party be established to discuss the application of Part IV in order to explore how the objectives set out in Article XXXVI could be implemented in a more systematic and effective manner. Sponsors of this proposal explained that they had in mind that the discussions in such a group would not be of the nature of a confrontation between developed and developing countries on the implementation of commitments but would provide an opportunity for an overall review of the problems and difficulties which need to be overcome in ensuring more effective implementation of Part IV. Such a review would also provide a possibility of formulating appropriate suggestions for action in other GATT bodies dealing with matters of interest to developing countries. On hearing the explanations provided by the sponsors, the Committee agreed that this suggestion should be considered and reflected on by governments and that it would be open to the Committee to re-examine this suggestion in the light of developments at the twenty-fifth session.

27. The Committee noted that, in drawing up a detailed work programme for itself and its subsidiary bodies it would have to take fully into account any conclusions relating to problems of trade and development that might be reached at the twenty-fifth session of the CONTRACTING PARTIES.