

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT

### Introduction

1. Since the twenty-eighth session of the CONTRACTING PARTIES the Committee on Trade and Development has held three meetings under the Chairmanship of Mr. P. Mogueira Batista (Brazil). The present report is based on discussions that took place during the twenty-third, twenty-fourth and twenty-fifth sessions of the Committee. While certain points discussed at the twenty-third and twenty-fourth sessions of the Committee as reflected mainly in the Chairman's summing-up at these sessions have been mentioned in various sections of this report, delegations might refer to the secretariat notes on proceedings for a full account of the discussions and the views expressed on particular items. Notes by the secretariat on the twenty-third and twenty-fourth sessions, held in February and March 1973, are contained in documents COM.TD/89 and COM.TD/90, respectively. The twenty-fifth session was held during the period 12-19 June 1973.

2. The work of the Committee has been geared to the consideration of matters of interest to developing countries in the context of preparations for the forthcoming multilateral trade negotiations bearing in mind that the July 1973 meeting of the Preparatory Committee for the Trade Negotiations will be preparing a report for consideration at the September meeting of Ministers in Tokyo. The Committee has thus taken up for examination questions relating to the interests of developing countries in connexion with safeguards, trade in agricultural products, tariffs, tropical products, quantitative import restrictions, other non-tariff measures and non-reciprocity.<sup>1</sup> Principles and objectives for the multilateral trade negotiations were added as an item to the agenda of the twenty-fifth session. Views of members of the Committee on each of these points are summarized below. The Committee was also informed of the activities of the Group of Three.

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<sup>1</sup>A checklist of documents relevant to the work of the Committee was issued as COM.TD/W/194.

Group of Three

3. At their twenty-eighth session, the CONTRACTING PARTIES agreed that the Group of Three should continue to seek ways of ensuring the implementation of its earlier recommendations and follow up any matters brought to its attention with a view to seeking solutions. It was also considered that the Group could perform a useful rôle in relation to the interests of developing countries in the context of the multilateral trade negotiations.
4. Speaking on behalf of the Group of Three, Ambassador Patel (India) reported to the Committee at its twenty-fifth session on the work of the Group, which included informal consultations with delegations of developed and with GATT and non-GATT developing countries. The discussions had concerned, inter alia, methods and procedures that might facilitate effective participation by developing countries (including non-contracting parties) in the negotiations including the question of joint negotiations by groups of developing countries in respect of particular commodities. Possibilities for action on tropical products and agricultural commodities, the questions of reciprocity and "additional benefits" and possibilities for improvements in the Generalized System of Preferences (GSP) had also been taken up in consultations with developed countries.
5. The Group felt that the exchange of views had helped to clarify certain points and brought into focus other points to which the relevant GATT bodies and the Preparatory Committee may wish to pay particular attention. A report on the Group's findings and recommendations will be issued prior to the July meeting of the Preparatory Committee.

Safeguards

6. The Chairman invited comments and suggestions on the question of safeguards that might be taken into account by the Preparatory Committee and facilitate further examination of this subject in the recently established Group on Safeguards.
7. The representatives of Brazil and Nigeria in comprehensive statements<sup>1</sup> considered that there was need for the revision of the provisions of the General Agreement in relation to safeguards in order to establish special provisions and procedures involving differentiated treatment for developing countries. They suggested that as a general rule, safeguards should not be applied to imports from developing countries. Where compelling and exceptional circumstances, which could not be corrected in a reasonable period of time through the introduction of adjustment assistance, required the introduction of safeguards, certain criteria and procedures should be observed by developed countries so as to minimize the effects on trade of developing countries. The representative of Brazil further suggested the elaboration of special provisions to facilitate the application of safeguard measures by developing countries in accordance with their particular needs and interests.

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<sup>1</sup>The texts of these statements were issued as COM.TD/91 and COM.TD/92 respectively.

8. In noting the complementarity of the two proposals, representatives of developing countries who spoke on the subject expressed their support for the ideas presented by the delegations of Brazil and Nigeria, including the need to apply differentiated treatment to developing countries in the field of safeguards. With regard to the suggestion that safeguard measures when applied against imports from developing countries might take the form of tariff surcharges, some representatives of developing countries suggested that consideration might also be given to the use of import quotas so as to permit higher growth rates for imports from developing countries. Representatives of some developing countries also suggested that the least developed among them should not be subject to the application of safeguards. These representatives laid particular emphasis on the use of adjustment assistance as an alternative to emergency action against imports from developing countries. They supported the proposals for consultation procedures and supervision of action in relation to safeguards by an appropriate body. One of these representatives expressed the view that because a particular exporting country had caused market disruption, this did not justify other exporting countries having to suffer the consequences of disruption.

9. The representative of a developing country referred to the conclusions of an OECD High-Level Group to the effect that safeguards should be temporary in nature and be of short duration. This Group had also suggested that countries applying safeguards should undertake not to reduce imports below the level established at the time the restrictive measures were applied and to allow imports to increase at a reasonable rate. The application of such measures should be accompanied by internal adjustment measures.

10. Representatives of developed countries who spoke on this item welcomed the interesting and constructive proposals put forward and provided some preliminary comments on the suggestions made by developing countries. In the view of some developed country representatives, safeguards should cover only emergency situations and be applied only for a limited period of time. As a market disruption situation caused by increased imports is of the same nature in practice whatever the origin of the imports, differential treatment for any particular category of countries would seem difficult to envisage in a concrete manner. However, special consideration might be given to the interests of developing countries in the introduction of any safeguard action. Some of these representatives agreed that the imposition and implementation of safeguards might be a matter of consultation among interested countries and that they might be submitted to multilateral surveillance procedures. Criteria for the use of safeguards might relate to the temporary nature of the measures, their gradual elimination and the use of adjustment assistance. The representative of a developed country referred to the principle of non-discrimination in the application of safeguards and suggested that consideration might also be given to the need for compensation and the right to resort to retaliatory measures.

The representative of a developed country referred to proposals submitted earlier on behalf of a group of countries in the Committee on Trade in Industrial Products with respect to the selective application of safeguard measures and suggested that this was relevant also to the request for differential treatment by developing countries.

11. In concluding discussion on this item the Chairman said that the interesting preliminary exchange of views in the Committee would be helpful to the Group on Safeguards when it commenced its work. All delegations had recognized the importance of this subject in the context of the multilateral trade negotiations. While a great deal of the discussion had centred around the proposal for differentiated treatment in favour of developing countries, useful comments and suggestions had also been made on other aspects relating to criteria and procedures. Delegations had indicated the need for the various proposals to be given consideration in capitals before more detailed reactions could be provided. He suggested that the item be left for further consideration at a later stage.

#### Agriculture

12. The Chairman referred to past discussions in the Agriculture Committee and to the points raised by developing countries in the Working Group on Techniques and Modalities of that Committee and invited comment on matters of interest to developing countries for further consideration by the Preparatory Committee and the Agriculture Committee.

13. Representatives of some developing countries referred to the importance of agriculture to their economies and the need for the inclusion in the negotiations of all agricultural products of interest to their countries. The overall objective of the negotiations in this field should be improved and liberal market access and the stabilization and expansion of agricultural trade at fair and remunerative prices. Some of these representatives expressed the view that a new international division of labour was required in the agricultural sector. In this connexion the adoption of adjustment measures designed to reconstruct, where desirable, the agricultural sector of developed countries, having regard to the trade interests of developing countries in this sector, could be considered. It was also suggested that developing countries should be given preferential treatment in the field of agriculture with respect to such measures as tariffs, import quotas and levies and, where this was not possible, priority attention in the negotiations should be accorded to products of special interest to developing countries. Processed and unprocessed agricultural products should be included in the Generalized System of Preferences to the fullest extent possible. One delegation suggested that processed agricultural products should be given the same treatment as industrial products falling under Chapters 25 to 99 of the Brussels Nomenclature. The view was also expressed that a sectoral approach, involving the consideration of tariff and non-tariff barriers to trade in agricultural products, would be appropriate to the interests of developing countries.

14. The representative of a developed country referred to market instability and limitations of growth in trade in agricultural products as the two main problems facing this sector. Market instability, in terms of quantities and prices, affected importing as well as exporting countries and was very often the reason for the application of protective devices and the generation of surpluses. The goal should, therefore, be to ensure a steady expansion of trade in agricultural products in stable market conditions. Such an expansion of trade could be pursued on a commodity-by-commodity or sector-by-sector basis. Representatives of some developed countries suggested that a variety of approaches including the sectoral approach might be considered in the context of negotiations on agriculture.

15. The representative of a developing country stated that in regard to the question of access to markets at stable and remunerative prices, the policy of releasing stockpiles of strategic agricultural materials by developed countries could be detrimental to developing countries producing and exporting products such as natural rubber. Greater market access for such products was also being hampered by the proliferation of synthetics and substitutes produced by developed countries. In view of these facts, developing countries appealed to the developed country releasing stockpiles to take into consideration the efforts of developing countries to increase their export earnings.

16. In his concluding remarks on this subject, the Chairman said that the numerous difficulties which prevailed in the area of agriculture and which stood in the way of finding solutions to the important issues had been apparent in the discussions. However, it had been emphasized that, if the forthcoming negotiations were to achieve significant results for developing countries, solutions will need to be found to the major problems facing the trade in agricultural products of these countries.

#### Tariffs

17. The implications for the GSP of the multilateral trade negotiations in the field of tariffs and the procedures and modalities for tariff cuts in favour of developing countries were the main points taken up by the Committee under this heading. The representative of Brazil in a detailed statement<sup>1</sup> put forward suggestions for the preservation and improvement of the GSP in the multilateral trade negotiations and also possible measures to offset any erosion of the GSP resulting from tariff reductions on a most-favoured-nation basis. He stated that the GSP might be improved by enlarging the product coverage, removing all ceiling and quota limitations and adopting stricter criteria governing escape-clause action; removing on a preferential basis all non-tariff barriers affecting products covered by the scheme, reducing preferential

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<sup>1</sup>Statement issued as COM.TD/93

rates to zero, increasing the duration of the system, binding preferential margins, harmonizing and simplifying the rules of origin and by incorporating the concept of preferential treatment in favour of developing countries in any revision of GATT rules. This representative also suggested certain measures designed to limit erosion of the GSP and where erosion did occur, possibilities for compensatory action by developed countries.

18. The representative of India stated<sup>1</sup> that in order to provide developing countries with improved export opportunities and to offset any losses they might incur through erosion of the GSP, the principle of preferential treatment for developing countries should be adopted in the negotiations. If, for exceptional and compelling reasons, it was not possible to include products of interest to developing countries in the GSP, the next best alternative would be deeper most-favoured-nation tariff cuts in respect of products of interest to developing countries which often attracted higher-than-average tariffs. He also urged the elimination of tariff escalation and advance implementation of most-favoured-nation tariff reductions on a preferential basis for developing countries. Referring to the techniques and modalities for negotiations on tariffs, this representative stated that there was a need for the flexible application of the substantial-supplier rule having regard to the generally weak bargaining power of developing countries. While the item-by-item technique offered an opportunity for developing countries to select products of interest to them for negotiations, the technique of linear cuts could also bring benefits to developing countries in certain cases. He suggested that there might also be some advantage in the proposed technique for the harmonization of tariffs, for example, through the possible reduction of tariffs on those products in BTN Chapters 25-99 which were excluded from most of the schemes of preferences.

19. Representatives of developing countries, in generally supporting the suggestions made by the representatives of Brazil and India, emphasized the importance they attached to the preservation and improvement of the GSP. Some of these representatives, including some from the least developed countries, took the view that, as the existing schemes covered only a limited number of primary and agricultural products within BTN Chapters 1-24, the benefits of the system accruing to them so far had been limited. They hoped that additional products of interest to their countries would be included in the schemes of preferences and furthermore that the duration of these schemes would be extended having regard to the position of those countries which had not so far benefited from the system because of their present stage of industrialization. With regard to rules of origin, the representative of a developing country member of the Central American Common Market suggested on behalf of countries members of this grouping that the cumulative treatment of value added in different countries belonging to an economic grouping should be adopted as a means of improving the GSP. Some of these

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<sup>1</sup>Statement issued as COM.TD/W/200.

representatives stated that improvements in the GSP should not be considered as a concession by developed countries in the context of the negotiations.

20. Representatives of a number of developing countries stated that "additional benefits" to developing countries, which had been generally agreed as an objective of the negotiations, could not be achieved without providing compensation for any erosion of preferential benefits irrespective of whether they had been granted on a unilateral or contractual basis. In this connexion, representatives of some developing countries were of the view that the GSP was not, as suggested by representatives of some developed countries, unilateral in nature, being the outcome of consultations and negotiations between developed and developing countries. With regard to the principle of preferential tariff treatment and the most-favoured-nation rule, representatives of some developing countries stated that these were no longer irreconcilable concepts as they could be considered in the context of a two-tiered most-favoured-nation system - one for developed, and the other for developing countries.

21. In offering preliminary comments, the representatives of some developed countries indicated that the proposals of developing countries concerning the GSP and other matters connected with the negotiations would be given careful consideration. Some of these representatives indicated that improvements in their countries' schemes of preferences had been recently introduced or were under consideration taking into account suggestions by developing countries. One representative reported that the scheme of his country had been improved by enlarging the product coverage, reducing certain preferential rates and introducing a system of flexible application of ceiling limitations.

22. Representatives of developed countries reaffirmed their willingness to pay special attention to specific problems of developing countries in the negotiations. With regard to suggestions made by developing countries concerning the preservation of the GSP and compensation for any losses that might occur through most-favoured-nation tariff reductions, some of these representatives stated that the granting of tariff preferences to developing countries was a unilateral action on their part and did not constitute a contractual commitment. Therefore, the GSP was not an impediment to most-favoured-nation tariff cuts in the forthcoming negotiations. Some delegations of developed countries indicated that, while their governments were prepared to consider improvements in their schemes of preference, no formal link should be created between these improvements and the multilateral trade negotiations as it was advisable to maintain the independence of the GSP.

23. Representatives of some developed countries suggested that many countries, developing and developed, had a common interest in seeking greater trade liberalization especially where they shared similar problems, and this could best be achieved through concerted action on a most-favoured-nation basis.

24. The Chairman observed that the various proposals by representatives of developing countries on the preservation and improvement of the GSP in the context of the negotiations and for the provision of offsetting benefits in the case of erosion, suggested that the effects of the negotiations on preferences under the GSP would be an important factor for developing countries in measuring the results of the negotiations and in particular in assessing the additional benefits which they expected to obtain.

#### Tropical products

25. For the discussion of this item the Committee had before it information requested at its twenty-third session on tariffs and non-tariff measures and trade flows, projections to 1980, and effective protection and internal taxes relating to certain tropical products (COM.TD/W/189 and Addenda 1 and 2). A synoptic picture of certain salient points emerging from the data was provided in document COM.TD/W/196. The Chairman invited members to offer comments and suggestions on the action that might be taken on tropical products within the framework of the negotiations, including the question of any machinery which might be established for this purpose.

26. Members of the Committee were generally of the opinion that tropical products should be given special attention during the forthcoming negotiations in view of their importance to the economies of many developing countries. For the purpose of identifying problems, the representative of a developing country suggested that tropical products could be classified according to those facing direct competition from similar products produced by developed countries, those facing competition from synthetics and substitutes and items produced exclusively by developing countries. The representatives of some developing countries felt that the list of tropical products for consideration in the negotiations should also include those items in their processed and unprocessed forms falling in Chapters 25-99 of the BTN. The representatives of developing countries generally believed that the sector approach covering processed and unprocessed tropical products would be an appropriate way of handling these items during the forthcoming negotiations since this would enable attention to be paid to the special problems associated with this sector as a whole.

27. Representatives of developing countries identified the following main problems facing tropical products: the maintenance of tariffs, some of them discriminatory, by developed countries on unprocessed products; tariff escalation on semi-processed and processed products; non-tariff barriers including internal charges, quantitative restrictions and import levies, and price instability.

28. With regard to possible action on tropical products some developing countries suggested the elimination of tariffs on unprocessed products, elimination of tariffs or deeper tariff cuts on tropical items according to the level of processing, the use of duty-free tariff quotas where appropriate and the complete elimination of tariff differentials between raw and processed tropical products in accordance with an agreed time-table. Some of these representatives proposed

that the GSP be expanded and improved to cover additional tropical products. These representatives considered that internal charges, especially selective taxes maintained for fiscal purposes, were unjustifiable and should be eliminated. In this connexion some of these representatives supported the proposals for action which had been made in the Special Group on Trade in Tropical Products and reproduced in COM.TD/W/189 (footnote 1, page 4). As an alternative one representative suggested that they could be temporarily suspended on an experimental basis and then reinstated if necessary should the suspension have no effect on trade flows. In that case consideration could be given to the transfer of part of the proceeds to the exporting developing countries. The representative of another developing country proposed that where domestic taxes on tropical items contained elements of protection for any directly or indirectly competing domestic product they should be converted at the earliest possible date into customs duties and be open for negotiation for their reduction or elimination. Some of these representatives proposed the full implementation of the standstill provisions for tropical products, the elimination of quantitative restrictions and other non-tariff barriers and in appropriate cases, arrangements for market sharing. The representative of a developing country, stressing the importance of the problem of price instability, urged that consideration be given to the possibility of negotiating stabilization arrangements in appropriate cases.

29. Representatives of a number of developed countries who spoke on this subject also agreed that the sector approach might be adopted for negotiations on tropical products. However, some of these representatives considered that, in this connexion, attention might be focussed on those tropical items produced exclusively in developing countries. The spokesman for a group of developed countries drew attention to the fact that the principal problem facing those countries in the tropical products sector was connected with the situation of certain developing countries whose point of view had not been expressed in the discussion and toward which that group of countries had particular responsibilities to take into account before being able to take a stand. He pointed out, however, that the trade data had not revealed any adverse effects attributable to the existence of a preferential régime on the evolution of trade under most-favoured-nation tariffs. He well understood, however, that producing countries wanted to obtain a substantial reduction in existing tariffs on those products, and in no way excluded searching for possibilities for action in that direction.

30. The representative of a developed country put forward, on a preliminary basis, the following suggestions for further consideration concerning the approach which might be adopted towards tropical products in the negotiations: tropical products would constitute a special sector of the multilateral trade negotiations; negotiations on these items would be undertaken at the beginning of the multilateral trade negotiations; they would deal only with those tropical agricultural products (e.g. coffee, cocoa, tea, bananas and spices) which are wholly or substantially produced in developing countries and do not directly compete with developed country natural or synthetic products; they would deal with residual tariff

preferences and quotas, tariff escalation on processed products, and special internal taxes and fiscal charges, and look towards their elimination or substantial reduction; they would take account of and, as appropriate, recommend procedures and measures to assist developing countries whose trade in the selected products depended upon preferential arrangements in adjusting to the new marketing situation; and they would involve developing countries making concessions and bindings regarding their own trading systems, but on a basis of less than full reciprocity and consistent with their development needs.

31. While some members of the Committee reacted favourably to some of the points proposed, others expressed reservations on certain of the suggestions. However, it was generally agreed that they could form a useful basis for further reflection and consideration.

32. At its twenty-third session, the Committee on Trade and Development took note of a number of suggestions for organization of work on tropical products in the preparatory phase of the negotiations (COM.TD/89, paragraphs 27-39). On the question of possible machinery for the negotiations, the representative of a developed country proposed the formation of a small working group within the framework of the negotiations, which could focus attention on finding solutions to the problems of trade in tropical products.

33. In his summing-up of the discussion on tropical products, the Chairman referred to the consensus which appeared to emerge in the Committee that, in view of their importance for developing countries, a sector approach should be followed with respect to the treatment of these products in the negotiations. The documentation prepared by the secretariat should be brought to the attention of any negotiating machinery that might be created so that full use could be made of the information provided in the negotiations.

#### Import restrictions and other non-tariff measures

34. The Committee discussed this item at its twenty-fourth and twenty-fifth sessions. Certain general points emerged from the preliminary discussion at the twenty-fourth session including the need for priority action on restrictions affecting exports from developing countries, especially the least developed countries, examination of the feasibility of establishment of a list of items subject to restrictions that are of interest to developing countries in the negotiations and the need for removal in the negotiations of the largest possible number of such restrictions. With respect to non-tariff measures, the discussions at the twenty-fourth session indicated general recognition of the need to give priority attention to the removal of non-tariff barriers which created trade problems for the developing countries including the least developed. There was also general support for the idea that developing countries should be given technical assistance to help them comply with various requirements and regulations. It was suggested that the special problems of developing countries in relation to individual barriers needed to be examined in detail. The secretariat was also requested to carry out studies that would explain more fully the details of the arrangement so far worked out on individual non-tariff measures.

35. To assist in the further consideration of questions relating to quantitative import restrictions and other non-tariff measures, the Committee had before it at its twenty-fifth session a note concerning earlier discussion on quantitative restrictions in GATT (COM.TD/W/192), as well as notes on Standards and Health and Sanitary Regulations (COM.TD/W/190 and 191), explaining more fully the specific proposals for solutions that were being considered in respect of these non-tariff measures.

36. At the twenty-fifth session the representative of India stated<sup>1</sup> that, as a result of the informal consultations which had taken place among a number of developing countries, some concrete ideas for the liberalization of quantitative restrictions and other non-tariff measures had been developed. In enumerating the general principles and guidelines which should apply he said that the negotiations in these areas should be conducted on the basis of preferential treatment for developing countries and that special attention should be paid to the problems of the least developed among developing countries. All developing countries having an export interest in products or groups of products, whether or not they qualified as initial negotiator or as principal suppliers, should be entitled to participate fully in the negotiations. Developed countries should adopt appropriate adjustment measures to facilitate the removal of import restrictions and other non-tariff measures. He felt that in elaborating solutions preferential treatment could be given to the trade of developing countries by, inter alia, (i) paying special attention to particular problems which they face as a result of the lack of technical, administrative and other related infrastructure, (ii) reformulation of laws, rules and regulations which pose special problems to developing countries, and (iii) provision of technical assistance to these countries to enable them to overcome some of the difficulties which they face in meeting mandatory requirements in the importing countries.

37. He suggested an integrated approach for liberalization of quantitative restrictions, embargoes and export restraints applied by developed countries on products or groups of products of export interest to developing countries. In regard to other non-tariff measures he suggested the adoption of an action programme which should aim at the conclusion of agreements on principles, codes of conduct, guidelines and other measures, with a view to facilitating growing access for the exports of developing countries.

38. Detailed proposals were submitted by this representative for the solution of problems facing developing countries in respect of such non-tariff measures as customs valuation, import licensing, standards, health and sanitary regulations, export subsidies and countervailing duties, variable levies, State trading, government procurement, packaging and labelling requirements, import documentation, internal charges and revenue duties. It was the expectation of developing countries that the proposals would be given careful and early consideration so that they could form a basis for discussion in the meeting of the Preparatory Committee to be held in July.

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<sup>1</sup>Statement issued as COM.TD/W/198.

39. Several representatives of developing countries emphasized the importance of preferential treatment to developing countries in connexion with the removal of quantitative restrictions as well as other non-tariff measures. They also supported special provisions in arrangements on non-tariff measures so as to take account of the situation of developing countries. Because of the significance of trade in agricultural products for developing countries, it was necessary to ensure that any liberalization programme covered all products, industrial as well as agricultural, of export interest to these countries. Priority attention could be given to the removal of barriers affecting products exported by least developed countries. Least developed countries should also be given special consideration in the granting of technical assistance.

40. With regard to quantitative restrictions, these representatives supported the adoption of an action programme leading to the establishment of a comprehensive list of products of interest to developing countries which were subject to restriction and the formulation of a programme for the elimination of such restrictions during the negotiations. Some of these countries considered that it was necessary to make a distinction between restrictions which were illegal and those which were legal and stated that illegal restrictions should be eliminated immediately, without negotiation. As regards procedures for the preparation of a list they suggested that the task could be undertaken by a smaller body such as the Group on Residual Restrictions taking into account the information provided by the secretariat in addenda 1 and 3 of document COM.TD/W/179.

41. Representatives of developed countries who spoke on this item stated that the specific and concrete proposals made by developing countries with respect to both quantitative restrictions and other non-tariff barriers would be examined carefully by their governments. Some of these representatives made preliminary comments on the proposals for liberalization of quantitative restrictions.

42. The representative of one developed country stated that the successful implementation of any action programme for the removal of quantitative restrictions was connected with the development of an adequate system of safeguards during the negotiations. He considered that it was necessary to make a distinction between quantitative restrictions which were illegal and those which were legal. Illegal restrictions should be removed on a priority basis and without any compensation. In regard to quantitative restrictions which have been described as legal, suitable techniques would need to be evolved for negotiations, but full reciprocity would not be expected from developing countries. He added that any such liberalization should be on a most-favoured-nation basis. As regards quantitative restrictions which for certain compelling reasons could not be removed, provision should be made for the enlargement of quotas on the basis of growth in consumption.

43. Representatives of some developed countries stated that they had found it difficult to accept a general principle of preferential treatment, although they agreed that priority could be given to the removal of quantitative restrictions

affecting products of export interest to developing countries. Commenting on the proposal for conversion of bilateral quotas into global quotas, these representatives pointed out that while such a step might have certain advantages in regard to certain products, for others it may result in the global quotas being utilized by imports from one or two exporting countries. They agreed with the suggestion for greater international surveillance of quantitative restrictions which could not be removed.

44. Representatives of some developed countries also recalled certain observations made by them at the twenty-fourth session of the Committee. They had doubted the value of laying down general principles for the treatment of non-tariff barriers affecting developing countries, such as the principle of preferential treatment, without an examination of the specific situation relating to individual measures, since the problems and possibilities tended to differ according to subject and product and the situation was not the same for all developing countries. Some of these representatives had supported the proposal that the secretariat should undertake a study of the implications for developing countries of the various ad referendum solutions. One of these representatives had also suggested that developing countries should, with the assistance of the secretariat, try to identify those specific non-tariff barriers which are real obstacles to their exports; governments could then participate more effectively in the technical work which was proceeding.

45. In his summing-up on these two items, the Chairman stated that the principle of preferential treatment had again been put forward by developing countries as an important element in the negotiations for the removal or relaxation of import restrictions and other non-tariff measures affecting developing country products. Representatives of developed countries, on the other hand, had expressed reservations concerning this approach although they had generally agreed that priority consideration could be given to those products and those measures which were of special interest to developing countries.

#### Non-reciprocity

46. The subject was discussed at the Committee's twenty-third session on the basis of a secretariat note (COM.TD/W/177) and a statement by Brazil (Spec(73)9). The preliminary views of delegations on this matter were reflected in the secretariat note on proceedings of that session of the Committee (COM.TD/89, paragraphs 8-26).

47. At the twenty-fifth session of the Committee, the representative of a developed country provided some preliminary reactions to the proposals made by the delegation of Brazil on the question of reciprocity. He agreed that items of particular interest to developing countries should be given special consideration in the negotiations on a most-favoured-nation basis. On the question of reciprocity his country would continue to be guided by the provisions of Article XXXVI:8 and the Ad to that article. Possible contributions by developing countries to the negotiations could, for example, include adherence to codes of conduct. Deferral of tariff concessions by developing

countries might be considered for staging over a longer period than for developed countries. On the other hand he did not feel that an undertaking by developing countries to abide by the provisions of the General Agreement could be regarded as a contribution. Furthermore, it was, in the view of his delegation, not necessary to establish the principle that developing countries should be able to negotiate collectively as a principal or substantial supplier as no developing countries would be excluded where they have real interests. The binding of preferential margins as proposed by some delegations was also not acceptable to his delegation. Although the suggestion that increased exports by the developing countries could in turn produce an increase in their imports from the developed countries was not a totally invalid one, it merely reinforced the notion that full reciprocity was not to be expected. It was the view of his delegation that as the negotiations proceeded all participants should provide at least some indication of what they were prepared to contribute in the way of concessions.

48. In the further discussion on the subject, representatives of a number of developing countries stated that they attached great importance to the application in the negotiations of the principle of non-reciprocity to developing countries and referred to this principle as an expression of the spirit of Part IV of the General Agreement. Some representatives of developing countries stated that the relationship in the terms of trade and recent developments in the international monetary field had produced benefits for the developed countries at the expense of developing countries and that this in fact constituted an advance contribution by them to the negotiations. They also stated that, as developing countries were at a lower stage of development, they could not be expected to find possibilities for making concessions in negotiations with developed countries. One of these representatives took the view that a developing country with a heavily negative trade balance should not be required to provide reciprocity. Another of these representatives recalled that at the twenty-fourth session of the Committee, the representative of a major developed country had stated that such measures as simplification of import procedures could be considered as a concession by developing countries. Representatives of some developing countries commented on the concept of relative reciprocity. While they expressed uncertainty as to the practical application of this concept, they considered that the least developed countries could not be expected to make concessions in the negotiations. The representatives of some countries suggested that ad hoc guidelines relating to this issue, which would provide also for consideration being given to the specific situation of individual countries, could serve a practical purpose.

49. One representative pointed out that in applying the concept of relative reciprocity, account should be taken of the principle of non-discrimination; for if in accordance with the concept of relative reciprocity one should not treat alike partners who were unequal in respect of their economic strength and their degree of development, then in accordance with the same concept one must not treat unequally countries that were substantially at a like stage of economic and social development.

50. The spokesman for a group of developed countries stated that the various proposals made by representatives of developing countries were receiving close consideration. He recalled the earlier statement made by him on the subject<sup>1</sup>, and also recalled that his delegation had in the past expressed its opposition to the adoption of specific rules in this area on the ground that it might lead to a too rigid situation. He expressed support for a flexible application of the concepts on the subject so as to take into account the wide difference in the situation of individual developing countries.

51. The Chairman, noting the wide divergence of views on the matter, stated that the discussion had brought up many of the elements of concern to members of the Committee and this had in itself led to a clearer understanding of the various approaches to the question. If it were possible to establish some guidelines for the application of non-reciprocity to developing countries in the multilateral trade negotiations, it was his impression that both developed and developing countries might be enabled to obtain a better understanding of the type and degree of reciprocity, if any, which could be considered in a given set of circumstances, taking into account such factors as the level of development of individual developing countries, the nature of the concession received by a developing country and the economic possibilities of the countries involved in a concrete situation.

#### Principles and objectives

52. The representative of Chile stated<sup>2</sup> that in the Committee's report for consideration by the Preparatory Committee reference should be made to the principles and objectives that might be adopted for the participation of developing countries in the negotiations. These principles and objectives had been broadly defined by developing countries members of the Group of 77 in Resolution 82(III) of UNCTAD and in Resolution 3040(XXVII) of the General Assembly. It had been proposed that developing countries participating in the negotiations should be granted preferential treatment and enjoy non-discrimination and non-reciprocity. Developing countries should be in a position to obtain a greater share in the growth of international trade and should not suffer negative results from the negotiations. Preferential treatment could be given to developing countries in the form of greater tariff reductions in their favour, preferential tariffs and anticipatory tariff reductions on products of interest to them. They should also be given preferential treatment in the liberalization of quantitative restrictions and the reduction and removal of other non-tariff barriers as well as with regard to questions of safeguards, escape clauses and assistance measures for reconversion. Technical assistance to comply with various non-tariff measures should also be provided. Furthermore, all developing countries should be entitled to participate fully, effectively and continuously in all phases of the negotiations and accession to the General Agreement should not be a pre-condition for such participation.

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<sup>1</sup>COM.TD/89, paragraph 23

<sup>2</sup>The statement was issued as COM.TD/W/199

53. The application and improvements introduced into the GSP are concessions granted to developing countries outside the scope of the negotiations and cannot be taken as benefits obtained as a result of the negotiations. If the preferential advantages were to be unfavourably affected by the negotiations, developed countries should take additional steps to compensate developing countries which were affected. Developed countries should grant more favourable access conditions and an increased share of their markets for products of interest to developing countries along with special measures to provide for more equitable, stable and remunerative prices. Concessions between developed countries should extend automatically to all developing countries, although those granted by developed to developing countries or those between developing countries need not be extended to developed countries. Developed countries should give priority to the elimination of all barriers to products of interest to developing countries. The negotiations must ensure, on a priority basis, important concessions for the products of particular interest to the least developed of the developing countries and the land-locked developing countries. The representative of Chile further suggested that the objectives of the multilateral trade negotiations should be, inter alia, to accelerate the economic and social development of developing countries, to establish a new international division of labour and to provide for net additional benefits for developing countries. A complementary objective in such fields as finance, shipping and technology might also be sought. The developing countries must increase their participation in world trade. In the course of the negotiations amendments should be introduced into the General Agreement to establish clear rules on non-reciprocity, non-discrimination and preferential treatment for developing countries.

54. Many representatives of developing countries, Members and non-members of GATT, expressed their full support for the ideas presented by the delegation of Chile. They recalled the experience of the Kennedy Round where tariff cuts on many products of interest to developing countries had been lower than those on products of interest to developed countries. If this experience was not to be repeated, there was a need to agree on guidelines about the manner in which the objectives could be fulfilled. One representative of a developing country suggested that the establishment of a new international division of labour on the basis of new trade rules should be a valid objective for all countries and not only for negotiations between developing and developed countries. He also stated, in connexion with the complementary objectives, that the first objective for developing countries remains a modification of the structure of trade and for this purpose appropriate new rules were needed. With regard to principles, he stated that their application on a case-by-case basis might also be considered. Referring to the argument of developed countries that preferential treatment for developing countries was inconsistent with Article I of the General Agreement, the representative of a developing country pointed out that the concept of preferential treatment for developing countries had now been accepted in the field of tariffs and there was no reason why the provisions of Article I should stand in the way of similar preferential treatment in other fields. The

representative of yet another developing country felt that the objectives contained in the summing-up of the Chairman at the twenty-eighth session of the CONTRACTING PARTIES are also applicable to the developed countries, as there are no preferential or special positions outlined for the developing countries.

55. Representatives of some developed countries, in providing preliminary comments, said that they had not supported the principles stated by the developing countries in the resolutions referred to by the representative of Chile, though they could accept some of the points included in those resolutions. In their view, the generally accepted objectives for the negotiations in respect of developing countries were those contained in the summing-up by the Chairman at the twenty-eighth session of the CONTRACTING PARTIES which had been supported by most delegations. One of these representatives said that he accepted the principle of non-discrimination but did not accept the principle of preferential treatment.

#### Other matters

56. The representative of a developing country said that among matters of interest in relation to the work of the Preparatory Committee, some had not yet been discussed. In his opinion there was need for a synthesis of the views of developing countries concerning their overall approach to the multilateral trade negotiations which might fall under the following headings - objectives, principles, coverage, tariffs, non-tariff barriers, approaches, trade rules and procedures. Although some of these points had been given fairly detailed consideration in the Committee, he felt that discussions on product coverage, trade rules and procedures had not so far been adequate.

57. As regards product coverage, for example, this should include all products and barriers affecting the interests of developing countries. In connexion with the rules of international trade, many delegations had suggested that a review of the Articles of the General Agreement was called for. Aspects which might be included in any such review related to the application of preferential treatment, safeguards and countervailing duties to developing countries. Differential treatment for developing countries could also be considered with respect to the rules governing export subsidies. As to negotiating procedures, a trade negotiating plan and rules of conduct taking fully into account the position of developing countries should be established prior to the commencement of the negotiations. He did not favour the establishment of a special committee on the participation of developing countries.

58. While the Committee expects to hold a further meeting before the twenty-ninth session of the CONTRACTING PARTIES, it agreed to establish a report on the activities so far carried out by it, bearing in mind the July 1973 meeting of the Preparatory Committee.