

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Thirty-First Session

## REPORT OF THE COMMITTEE ON TRADE AND DEVELOPMENT TO THE CONTRACTING PARTIES

### Introduction

1. Since the thirtieth session of the CONTRACTING PARTIES, the Committee on Trade and Development has held two meetings, comprising the twenty-ninth and thirtieth sessions, under the Chairmanship of Mr. Olajide Alo (Nigeria). At their thirtieth session, members welcomed Colombia as a full member of the Committee.
2. In addition to the review of the implementation of Part IV as required by its terms of reference, the Committee's activities during the year covered the following subjects: the application of Part IV of the General Agreement in relation to the objectives it is intended to serve, developments in the multilateral trade negotiations with particular reference to issues of special interest to developing countries, technical assistance to developing countries in the context of the trade negotiations, a review of developments in international trade and the expansion of trade among developing countries.
3. At the twenty-ninth session of the Committee held on 22 and 23 May 1975<sup>1</sup>, a mid-term review of the implementation of Part IV was undertaken and a number of points were raised in connexion with the adequacy of Part IV of the General Agreement and the General Agreement as a whole in the light of developments in the international trading system. In addition, it was suggested that developments in the multilateral trade negotiations might be treated as a separate item on the agenda, so that the Committee could follow progress in this regard more closely. With respect to the review of developments in international trade, having particular regard to trade in primary commodities, concern was expressed at the growing balance-of-payments deficits of many developing countries. The importance of the observance of the commitment provisions of Part IV and the need to work out effective measures for the expansion

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<sup>1</sup>Details of the discussions and the views expressed on particular items at the twenty-ninth session of the Committee are contained in the secretariat note on proceedings COM.TD/97.

of the exports of developing countries through appropriate measures in all areas to which the multilateral trade negotiations are addressed, were stressed. At its twenty-ninth session, the Committee also reviewed the technical assistance being provided by the secretariat to developing countries participating in the trade negotiations and took note of developments relating to the expansion of trade among developing countries.

4. At the thirtieth session of the Committee held during the period 12 to 14 November 1975, the annual review of the implementation of Part IV was carried out. In addition, the Committee discussed questions relating to the application of Part IV, recent activities in the context of the multilateral trade negotiations, technical assistance, developments in international trade the emphasis being on points relevant to the interests of developing countries, and the expansion of trade among developing countries.

#### Review of the implementation of Part IV

5. The Committee had before it document COM.TD/W/234 and addenda containing information provided by governments with respect to the implementation of Part IV and document COM.TD/W/233 containing certain additional material available to the secretariat relevant to Part IV including references to certain developments in other international organizations as well as the record of the discussion on this point at its last meeting.

6. Many delegations commented on the application of Part IV in the light of the objectives it was intended to serve.

7. The view was expressed by delegations from developing countries that, having regard to the experience from 1965 to date of their countries, Part IV was not meeting its objectives, including, inter alia, the rapid and sustained expansion of the export earnings of developing countries. Taking into account the political commitments embodied in the Tokyo Declaration and those arising out of the Seventh Special Session of the General Assembly, they believed there was now a possibility of translating these commitments into practical action. However, some of these delegations said that they had obtained the impression that the political will to take the necessary steps in relation to Part IV might be lacking.

8. While appreciative of the positive measures which had been taken by some developed countries in relation to the implementation of Part IV, delegations from developing countries expressed concern at the continued maintenance of restrictions introduced earlier and the imposition of new barriers by some countries on products of export interest to developing countries which indicated, among other things, that the standstill provisions of Article XXXVII had not been respected in the

manner that had been envisaged. In this context, it was noted for example, that new tariff barriers, particularly on products of vital interest to developing countries, including textiles and footwear, had been imposed. The view was expressed that in such sectors in which developing countries possessed a comparative advantage, the developed countries should refrain from affording protection to uneconomic production and should consider providing adjustment assistance so as to facilitate imports from developing countries.

9. Some of these delegations recalled that the terms of reference of the Committee on Trade and Development enabled it to consider, inter alia, whether modifications of or additions to Part IV were required and felt that it was now appropriate that work should begin in this area taking into account the relevance of other parts of the General Agreement in the light of the interests of developing countries. These delegations suggested that the secretariat should prepare documentation covering the experience of the application of Part IV and proposals for improvements to this chapter of the General Agreement. In this connexion, it was recalled that the Committee had, in the preparatory stages of the negotiations, played an important rôle in the evolution of ideas on points of interest to developing countries leading to the formulation of concrete proposals for later consideration.

10. Delegations from developing countries said that preliminary work by the Committee in this area would facilitate the consideration of improvements in the framework for the conduct of world trade to be taken up at the appropriate time in the context of the multilateral trade negotiations and that the Committee had the responsibility in accordance with its terms of reference to make recommendations for improvements to Part IV.

11. Some delegations of developed countries drew attention to paragraph 9 of the Tokyo Declaration which envisaged consideration of improvements in the international trading framework at the appropriate time in the negotiations. Some delegations of developed countries, while agreeing with the view that it was important that participants in the trade negotiations should be starting to address themselves to questions relating to the review of the framework for the conduct of world trade, felt that the Trade Negotiations Committee was the forum where this matter should most appropriately be taken up. However, in the light of the statements made by delegations of developing countries with respect to this matter and recognizing the important rôle of the Committee on Trade and Development, some delegations of developed countries said that they could agree to the preparation of a background paper by the secretariat summarizing the various observations and proposals put forward in the Committee since its inception and in other GATT bodies concerning the review of the provisions of Part IV.

12. The Committee agreed that proposals and comments made by delegations on the question of a review of the provisions of Part IV and of other provisions in the GATT relating to the trade interests of developing countries should be noted in its report. It was also noted that as many countries represented in the Committee on Trade and Development were participants in the multilateral trade negotiations, including the TNC, its Groups and Sub-Groups, the discussions and suggestions on this subject in the Committee would be expected to reflect themselves in the deliberations of these bodies.

13. The Committee agreed to request the secretariat to prepare a background note which would provide information on the experience of contracting parties with respect to the application of Part IV as well as a summary of the specific observations and suggestions which had been made in the Committee on Trade and Development and other GATT bodies with respect to a review and possible amendment of the provisions of Part IV. The Committee agreed to consider the secretariat background note on this subject at its next meeting.

14. The representative of Austria, in commenting on the improvements in his country's Generalized System of Preferences, the second stage of which entered into force on 1 January 1975, informed the Committee that recently some changes had been enacted by his authorities with respect to the rules of origin. He also referred to the participation of Austrian experts in the UNCTAD/UNDP Assistance Programme on GSP rules of origin. He expressed the hope that these actions would contribute to the better utilization by developing countries of the possibilities offered by the GSP. Referring to the Federal Law concerning imports of hand-made products into Austria duty free or at a reduced rate of duty with the aim of promoting trade relations with developing countries, he welcomed the fact that eight countries had already concluded agreements in accordance with the provisions of this law and that negotiations with other developing countries were under way. He invited other developing countries to notify their interest to the Austrian authorities so that negotiations with a view to concluding similar agreements could be carried out.

15. The representative of Canada, in referring to the legislation recently enacted by the Canadian Parliament to permit duty-free entry of certain handicraft products from GSP beneficiary countries, stated that discussions were now under way concerning the products to be included. He said that as Canada was undertaking a review of its Generalized System of Preferences it was interested in hearing proposals from developing countries for improvements of the Canadian scheme. He added that 75 per cent of the exports of developing countries to Canada already entered free of duty. With regard to the suspension by his country of the preferential tariff on rubber footwear, his Government had previously indicated that, since the scheme covered products where damage might be caused to Canadian

industry, safeguard action in the first phase of its application might have to be taken. He considered that the adjustment-assistance measures that Canada was taking in respect of the rubber footwear industry were, in Canada's view, in accordance with the interests of developing countries. If the industry did not prove itself to be viable within a specified period of time, then consideration would be given to the restoration of preferential treatment to developing countries.

16. The representative of the Commission of the European Communities said that despite the difficulties of the current economic situation, the Community had been able to resist protectionist pressure and to implement positive measures in favour of developing countries. Thus, the Community had recently signed trade co-operation agreements with Mexico and Sri Lanka and negotiations were under way with Pakistan and Bangladesh with a view to the conclusion of similar agreements. In addition, there had been meetings of joint bodies consisting of the EEC and certain developing countries or groups of developing countries. In those ways, the Community was responding in a concrete manner to the objective of expanding its commercial relations with developing countries. As regards the Generalized System of Preferences, the Council of the European Communities had agreed to improvements to take effect from 1 January 1976. These involved modest but significant improvements taking into account in particular the needs of the poorest countries. On processed agricultural products, preferential rates were to be cut as a general rule by 10 per cent of their 1975 level. As regards industrial products other than textiles, most ceilings and quotas were to be raised by a general level of 15 per cent. For textiles, the régime applicable in 1975 was to be continued with certain modifications, including an increase of 5 per cent in ceilings and quotas over the 1975 levels and the addition of new countries in the list of beneficiaries. In order to ensure full use of the available possibilities for preferential access by developing countries, the Community had organized seminars in several developing countries at their request and in November 1975, representatives of eighteen developing countries were scheduled to attend an information meeting in Brussels on various GSP schemes; the meeting was being organized under the UNDP/UNCTAD technical assistance programme, and financed by the EEC.

17. The representative of Finland said that in 1974, exports by his country to developing countries had risen 62 per cent and imports 93 per cent, thereby producing a deficit in trade with developing countries of 600 million Finnish marks. In 1974, about 70 per cent of total imports from developing countries and 96 per cent of imports of manufactured goods from these countries entered Finland duty free. He said that it was the intention of his Government to abolish its import deposit scheme not later than 24 March 1976.

18. The representative of Japan said his Government recognized the special problems of developing countries and intended to play a constructive rôle in the various international dialogues under way with a view to relieving these difficulties. He indicated that Japan actively supported the negotiations for new international arrangements on tin and cocoa and said that his Government was intensively pursuing the necessary ratification procedures.

19. The representative of Norway said that at the last session of the Committee on Trade and Development in May 1975 he had informed the Committee that a comprehensive report had been submitted to the Parliament covering the whole spectrum of his country's economic relations with developing countries (COM.TD/97, paragraph 11). This report reflected how his Government sought to live up to Norway's responsibilities towards the developing countries including the implementation of Part IV. At the Seventh Special Session of the General Assembly, Norway supported the proposal for a new international economic order and alluded to concrete measures, such as the negotiation of commodity arrangements, which it would support. He believed that the actual solutions to the problems of developing countries in the light of the results of the Seventh Special Session would have to be found in specialized organizations, including GATT and the Committee on Trade and Development.

20. The representative of the United States said that his Government attached great importance to an open trading system on which the future well-being of all countries depended and to international action to facilitate expansion of exports of developing countries taking into account, inter alia, commitments under Part IV. In particular, he reported that his Government had announced its intention to introduce a generalized system of preferences on 1 January 1976. With regard to the list of beneficiaries, he recalled that in March, the United States had designated 133 countries and territories as beneficiaries. In a further action, the President had this week informed Congress of his intention to designate Cyprus, Hong Kong, Israel, Romania, Somalia, Turkey, Christmas Island and the Cocos Islands as eligible. The possible designation of certain other developing countries was also being considered. With regard to the product coverage, the President had proposed in March a list of products for inclusion in the GSP. Since administrative formalities in this regard were about to be completed, the final list of products was expected to be published in the very near future.

#### Multilateral trade negotiations

21. The Committee discussed recent developments in the multilateral trade negotiations on the basis of a secretariat note summarizing these developments (COM.TD/W/235 and Add.1). Some delegations of developing countries expressed concern at the lack of progress in the negotiations as a whole, particularly on

points of interest to developing countries and referred to certain problems relating to their participation in the negotiations, notably the question of reciprocity. They recognized, however, that work in certain areas had advanced further than in some other areas. Particular reference was made to the importance of priority treatment in the field of tropical products, in terms of timing, product coverage, depth of concessions and negotiating approaches.

22. A number of delegations from developing countries referred to the importance of reaching agreement on special procedures for negotiations which would secure for developing countries the differentiated treatment and priority attention envisaged in the Tokyo Declaration. Special treatment of this kind seemed all the more desirable in view of the trends and developments evident in world trade and in trading relationships.

#### Developments in international trade

23. The Committee reviewed recent developments in international trade, particularly as they affected the interests of developing countries, on the basis of a note by the secretariat (COM.TD/W/236). Delegations of a number of developing countries stressed the severe effects of recession and of inflationary trends in developed countries on their economies. These delegations expressed particular concern at the behaviour of primary commodity prices for products exported by their countries which had declined consistently during the first half of 1975 while prices paid by them for their imports had continued to increase. This had led to increasing deficits in their external accounts.

24. Several delegations referred to the need for strengthening international commitments to the maintenance of an open world trade régime, which would require further liberalization in trade and payments and the avoidance by developed countries of the imposition of restrictions on trade which had the effect of limiting exports from and development possibilities in developing countries. In this connexion, the Committee noted points contained in paragraph 12 of document COM.TD/W/236 relating to the review of developments in international trade.

#### Technical assistance

25. In stressing the value and usefulness of the technical assistance being extended by the secretariat to developing countries in connexion with their participation in the multilateral trade negotiations, representatives of developing countries and other members of the Committee supported the continuation and strengthening of the technical assistance activities of the secretariat outlined in documents COM.TD/W/225 and COM.TD/W/237 and Corr.1. Some specific suggestions on certain aspects of technical assistance work already in hand in the secretariat were made

by some developing countries. The secretariat took note of these suggestions. It was also suggested that given the limited resources for technical assistance available within the GATT secretariat and the UNDP/UNCTAD technical assistance programme, close co-ordination between the services of the organizations concerned would facilitate the maximum use of these resources.

Expansion of trade among developing countries

26. The Committee had before it the second Annual Report of the Committee of Participating Countries (L/4238). In noting that trade among participating countries in products subject to concessions continued to be modest, reference was made by some members to the trade expansion which had taken place with respect to these products.

27. The Committee also noted that no contracting party had requested consultations with participating countries in connexion with the operation of the arrangements under the Protocol or on the observance of the Decision of November 1971. One member stated that his country continued to have certain reservations about the Protocol. He suggested that consideration might better be given to m.f.n. tariff reductions on products of interest to developing countries which would lead to the expansion of their mutual trade.

28. Representatives of countries participating in the Protocol stated that although the arrangement was still in its formative stages, they were encouraged by the positive developments reflected in the Annual Report. They urged all developing countries to consider adherence to the Protocol, so that membership, product coverage and the scope of the concessions could be significantly expanded. In this connexion, some members took note of the possibilities for accession by other countries provided in the Protocol.

29. The Committee took note of the report which would be taken up by the CONTRACTING PARTIES at their thirty-first session.

Date of next meeting

30. The Committee agreed that the date of its next meeting would be determined by the Chairman in consultation with delegations.