

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development  
Fifty-Third Session  
9-12 October 1984

## PROCEEDINGS OF THE FIFTY-THIRD SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its Fifty-Third Session on 9-12 October 1984 under the Chairmanship of H.E. Ambassador Tai Soo Chew (Singapore).
2. At this Session the Committee continued its programme of consultations in accordance with the Ministerial Decision taken at the November 1982 Session of the CONTRACTING PARTIES, which called for consultations to examine how individual contracting parties had responded to the requirements of Part IV of the General Agreement. Consultations were held with the European Communities, the United States, Japan, and a group of developing countries members of ALADI (Argentina, Brazil, Chile, Colombia, Peru and Uruguay). The Committee had before it background information provided by the consulting countries and also by the secretariat. Submissions were provided by the European Communities, the United States, Japan and the consulting countries members of ALADI in documents COM.TD/W/407 and Corr.1, COM.TD/W/403, COM.TD/W/413 and COM.TD/W/416 and Add.1, respectively. Secretariat documentation was provided in document COM.TD/W/402 and Add.1 for the European Communities, COM.TD/W/401 and Add.1 for the United States, COM.TD/W/410 and Add.1 for Japan, and COM.TD/W/411 for Argentina, Brazil, Chile, Colombia, Peru and Uruguay.
3. In his opening statement, the Chairman proposed that in accordance with the agreement reached at the March 1983 Session of the Committee, discussions be organized under the following general points:
  - (a) An overall review of developments in the consulting country's trade flows and factors affecting such trade;
  - (b) An examination of how the consulting country's economic and trade policies have responded to the objectives and principles contained in Article XXXVI;
  - (c) An examination of how trade policy measures have responded to the commitments of the country concerned under Article XXXVII;
  - (d) Consideration of any matters relating to joint action under Article XXXVIII.

The Chairman declared the consultations open and offered the floor to the representative of the European Communities.

### Consultation with the European Communities

4. In his introductory statement, the representative of the European Communities welcomed the opportunity to participate in Part IV

consultations, and said that the Communities fully accepted the special responsibility of the developed contracting parties in responding to the requirements of Part IV. He stated that relations between the Communities and developing countries constituted one of the most intensive and extensive examples of the ongoing North/South dialogue. In the view of his authorities, the nature and coverage of trading arrangements between the Communities and developing countries confirmed that the EEC's implementation of Part IV was a noteworthy feature of the trading system as a whole. The action that the EEC had taken in favour of developing countries was not solely a response to international obligations, but also reflected the many instances where the EEC had developed highly innovative policies and measures.

5. Referring to the severe recession and structural upheavals in the economy of the Communities, which had marked many years of the life of Part IV, the representative of the EEC said that these factors had not deterred the Communities from implementing far-reaching policies of structural adjustment in pursuance of their commitments under Part IV of the GATT. The Communities had improved and extended their GSP scheme, whose continued existence had been assured for the 1980s. The Communities were also currently engaged in negotiations for the renewal of the Lome Convention and had also been seeking to improve ties with Central and South America.

6. The representative of the EEC said that in reviewing what had been achieved so far in the implementation of Part IV it was useful to take the whole life-span of Part IV into account. The trade of the Communities with the developing countries accounted for about 40 per cent of total EEC external trade. Moreover, the Communities were the biggest importer of agricultural products from developing countries. Imports from developing countries had risen from a share in total imports of 44.7 per cent in 1965 to a share of 52.7 per cent in 1982. As regards manufactures, EEC imports of these products had increased by a factor of 22.5 over the life of Part IV for developing countries as a whole, and by a factor of no less than 27 for developing countries which are also contracting parties to the GATT and therefore Part IV beneficiaries. The EEC representative said that these figures provided a good illustration of the way in which the Communities had interpreted the principles and objectives of Part IV of the General Agreement. He said that taken as a whole, the Communities had a good record in regard to the implementation of Part IV, and one which would stand comparison with any of their trading partners. However, his authorities were aware that EEC trading arrangements with developing countries were not without their imperfections and he hoped that it would be possible to continue to make improvements in them.

7. The representatives of a number of developing countries welcomed the opportunity to participate in the Part IV consultation with the EEC given the latter's large share in world trade and its importance as a trading partner for their countries. These delegations expressed their appreciation for the background information provided by the EEC and also by the secretariat. Several developing country representatives expressed the view that the consultation should focus not only on the extent to which the provisions of Part IV had been implemented, but also on future measures which could be taken to that effect.

8. The representatives of a number of developing countries remarked on the comparatively small share of EEC imports accounted for by developing countries, particularly by the non-oil developing countries. They also

noted that in the period 1973-1982 the share of the non-oil developing countries in total EEC imports had remained constant and that in recent years these countries had moved from a trade surplus (in 1980) to a trade deficit (in 1982). Some developing country delegations noted that these trends raised the question whether the application of Part IV by the EEC had led to substantial improvements in the trade opportunities of the developing countries. Many developing country delegations expressed the view that there was a need for enlarged and more stable access for their exports to the EEC market. Some representatives of developing countries underlined the particular importance of improved access to the EEC market for the heavily indebted countries.

9. Several representatives of developing countries expressed concern over the negative effects of existing free-trade agreements between the EEC and other developed countries, as well as the preferential agreements concluded by the EEC with a number of developing countries. These delegations stated that these agreements were eroding their countries' benefits under the EEC's GSP scheme and were discriminating against non-participating developing countries. As a result of the EEC's agreements with other developed countries, the developing countries faced "negative preferences" with respect to a significant number of their exports in the EEC market. They were not opposed to the establishment of such free-trade areas, whose beneficial impact on trade could be appreciated, but urged that in forming and developing such free-trade areas, attention should be given to the need for preserving the developing countries access to these markets, in order to be fully consistent with Part IV of the GATT. The representative of the EEC underlined the economic and legal differences between the GSP scheme and its regional agreements, for example with its EFTA partners, which involved a whole series of rights and obligations between the participating countries. He expressed the view that the effect on trade of the EEC's preferential arrangements with the EFTA countries was scarcely discernible. The EEC representative also expressed serious doubts about the notion of "negative preferences" as a useful basis for discussion. In response to comments made by some Latin American delegations, he also pointed out that when speaking about the effects of the EEC's preferential agreements on the non-participating developing countries, one should not overlook the significant trade account deficit the Community had with the Latin American countries taken as a group.

10. Referring to the GSP scheme of the EEC, several representatives of developing countries stated that its effects were diminished as a result of tariff escalation and the quantitative limitations involved in the scheme. They also expressed the view that there should be a greater coverage in the EEC's scheme for products of export interest to developing countries and that the preferential margins for those already included should be increased. They stated that the rules of origin under the EEC's GSP scheme were too complex and that there was a need for greater flexibility in this field.

11. The representatives of some developing countries referred to the "graduation criteria" applied by the EEC under its GSP scheme, which were unilateral and introduced discrimination among developing countries. One of these delegations stressed that a higher degree of competitiveness reached by an export product or industry of a developing country should not be taken to imply that the entire economy of the country concerned had become competitive. Furthermore, there was no evidence that the exclusion of a product of a developing country from GSP benefits had benefitted other developing countries. The representative of the EEC stressed that the

EEC's GSP scheme had at no time involved the exclusion of any country from the benefits of the GSP. A developing country representative said that the limits imposed when an export product reached a certain level of penetration were so low that this amounted to exclusion of the product from the benefits of the scheme. He added that there was no objective criterion for measuring sensitivity and that, although the GSP scheme was unilateral, a possible solution to this problem would be for the EEC to hold consultations with affected countries prior to the imposition of these limits. Another representative of a developing country stated that his country did not enjoy the benefits of the EEC's scheme to the same extent as other beneficiary developing countries at a similar level of development. He requested the Communities to further improve the GSP scheme so that his country would benefit from it to the same degree as other beneficiaries.

12. Several delegations of developing countries pointed out that the access of manufactured exports of developing countries to the EEC market under m.f.n. treatment was hampered by tariff escalation, quantitative restrictions, and other non-tariff measures. They requested that steps be taken to address the problem of tariff escalation and to reduce or eliminate import restrictions affecting export products of developing countries. The representative of the EEC said that the issue of tariff escalation involved real problems of an institutional kind within the GATT as well as of a methodological kind. He observed that given the level of generality of the discussions held so far in different GATT bodies, it was very difficult to draw generally applicable guidelines for further action in relation to this problem. However, he noted that approximately 80 per cent of imports entered the EEC duty-free and said that bearing this in mind reduced the problem of tariff escalation to its correct proportions. He expressed his readiness to discuss with interested delegations any specific problem at a tariff line level. As far as quantitative restrictions were concerned, the representative of the EEC said that he had noted the points made. He added that this subject was under consideration in the Working Group on Quantitative Restrictions and that it was preferable to await the outcome of those deliberations. The EEC was nevertheless aware of the concerns expressed by developing countries in relation to quantitative restrictions and hoped that it would be possible to move towards meeting them. In response to some observations made by the delegation of a developing country concerning the lack of detailed information provided in the secretariat background document on tariff escalation, and in regard to the definition of hand-made products, a representative of the secretariat stated that note had been taken of these remarks. As far as the question of tariff escalation was concerned, attention was drawn to Tables 3 and 4 of document COM.TD/W/402, and the Annex to this document.

13. One delegation referred to some liberalization measures taken by the EEC (EEC Council Regulation No. 288/82 of 5 February 1982, published in the Official Journal of the European Communities No. 435 of 9 February 1982) which were not applied in conformity with Article XIII of the General Agreement, since some developing countries and other countries had been excluded from these measures. The representative of the EEC stated that the existence of a number of restrictions was the result of an historical situation and reflected the then balance of rights and obligations under the General Agreement or under certain protocols of accession. These were residual restrictions and the EEC hoped to register further progress in liberalizing them before too long.

14. Representatives of several developing countries pointed out that as far as agricultural products were concerned, the percentage of bindings in the Community was only 63 per cent of the tariff lines. They expressed the view that the relative stagnation of developing country exports to the EEC was due to an important extent to the lack of commitment assumed by the Community in favour of liberalization in the agricultural sector. Some developing country delegations expressed concern with regard to the system of subsidies applied by the EEC for sugar which was preventing the international price of this product from reaching a level compatible with real production costs. The EEC representative explained that the Communities system of subsidies from sugar had changed and that it no longer attracted a subsidy from public funds; the producers themselves were now being asked to contribute financially to the system. As a result of this change, he added, the Communities' production of sugar had registered a significant decrease.

15. The representatives of some developing countries stressed the need for an improvement in the EEC's import regime for tropical products. The issue of tropical products had been on the GATT agenda for a long time and it was appropriate to accelerate the negotiations in this sector in accordance with the GATT Ministerial Declaration, which provided for consultations and appropriate negotiations aimed at further liberalization of trade in tropical products. Developing countries had presented request lists in the context of tropical products consultations with developed countries but offer lists had not been received. The representative of the EEC recognized that in the tropical products sector something of an impasse had been reached, which was perhaps due to the lack of clarity of the term "appropriate negotiations". In his view, the term "appropriate negotiations" implied a certain degree of reciprocity on the part of developing countries. The term "appropriate" could also cover time considerations and the EEC did not exclude the possibility that in the context of a new round, negotiations on tropical products would take place. The EEC representative also indicated that the Community was considering a number of improvements to the GSP scheme for 1985, including in the tropical products sector, but it would be premature to make a definitive statement in this regard before the Council of Ministers completed its examination of the 1985 GSP scheme. Several developing country delegations pointed out that tropical products formed a part of the unfinished business of the Tokyo Round and that for this reason they were included in the current GATT Work Programme. This programme was adopted in 1982 and it had to be implemented in accordance with the decisions taken at the GATT Ministerial meeting. No decision had been taken to date in connection with the initiation of a new round of multilateral negotiations. Some developing country delegations referred to fiscal taxes applied in the EEC on tropical products and requested the Communities to consider their elimination since they did not seem to have a significant revenue role. The EEC representative observed that fiscal taxes on tropical products were applied only in some of its member countries, and said that they did not seem to have a detrimental effect on consumption. For example, in the EEC member countries where high fiscal taxes were applied on coffee and cocoa, per capita consumption levels for these same products were among the highest in the world. In responding to a question relating to the measures taken by the EEC to implement paragraph 1(c) of Article XXXVII of the General Agreement, the representative of the European Communities noted that paragraph 1(c) contained a standstill type obligation and a commitment to give high priority to the reduction and elimination of fiscal measures. During the Tokyo Round the EEC had undertaken not to raise fiscal taxes on

certain tropical products in some member countries, and it was now examining the reaffirmation or even the strengthening of those undertakings.

16. Several developing country representatives referred to the increasing difficulties of access to the EEC market for textiles and textile products and asked for an improvement in these conditions. They were particularly concerned with the increase of non-tariff measures in this sector where developing countries had a comparative advantage.

17. Delegations of a number of developing countries underlined the need for specific modalities for taking into consideration the interests of the developing countries in the field of anti-dumping and countervailing duty actions. To this end, one of these delegations suggested that greater attention be granted to the following aspects: the re-examination of criteria used for the determination of the normal value; the organization of consultations prior to the initiation of anti-dumping procedures; a more favourable attitude towards the developing countries with regard to the use of price undertakings as a solution for terminating anti-dumping procedures; examining the possibilities of helping developing countries to have greater knowledge of the prices prevailing in the member countries of the EEC. Some developing country representatives supported these suggestions and the wish was expressed that these issues be examined more closely in the Committee on Trade and Development. The representative of the EEC questioned the appropriateness of a detailed examination of these issues in the Committee on Trade and Development rather than the relevant Code Committee. He added that the Communities were always willing to discuss the implications of imposing anti-dumping and countervailing duties with affected countries before any definitive decisions on these matters were taken.

18. The representative of a developing country, referring to the trade between the EEC and the least-developed countries, expressed appreciation for the increased aid and trade liberalization measures taken by the EEC in favour of the least-developed countries. However, in spite of these liberalization measures, the exports of the least-developed countries to the EEC declined in 1981 by 23 per cent and in 1982, although somewhat higher, were still 19 per cent lower in comparison with 1980. Moreover, the balance of trade had been consistently in favour of the EEC. He stated that although some improvements were made in the EEC's GSP scheme in favour of least-developed countries, various non-tariff barriers still hampered the exports of these countries to the EEC market. This representative made a renewed appeal to the EEC for a more realistic assessment of the situation prevailing in the least-developed countries and for the adoption of policies aimed at prompt and effective implementation of the measures contained in the Enabling Clause and in the GATT Ministerial Declaration with respect to the trade of least-developed countries. The EEC representative acknowledged that there was further scope for the expansion of the exports of the least-developed countries. A factor which influenced the trade performance on both sides was obviously the economic recession. The EEC representative observed that under the Communities GSP on agricultural products, the least-developed countries enjoy not just a tariff reduction, as do other GSP beneficiaries, but they also enjoy complete duty-free entry on all products, only two of which remain subject to preferential limits - the quota and the ceiling on manufactured tobaccos. For the benefit of the least-developed countries only, in 1983 an additional list of some 370 agricultural products was brought in, thus practically doubling the range of products open to them in the GSP. As a

result, the least-developed countries enjoy virtually the same preferential advantages as the ACP countries, being able to import into the EEC all agricultural products duty free, except those where the sole protection is a levy or similar charge. On all other dutiable industrial manufactured and semi-manufactured products in CCT Chapters 25-99, including textiles and coal and steel community products, not only do the least-developed countries receive duty-free entry, but the operation of preferential limits has been suspended (though they may still be subject to quantitative limits written into bilateral textile agreements). There is also unconditional duty-free entry for jute and coir products. The EEC representative also stated that the Community's experience, including that with the Lome Convention, indicated that improvements in market access were only one factor contributing to increased export earnings for the least-developed countries. The EEC was endeavouring to improve market access for this group of countries and it was recognized that the EEC had a special responsibility to help the least-developed countries in other directions as well.

19. Some delegations of developing countries raised the question of the EEC's compliance with the notification provisions of Article XXXVII of the General Agreement. One of these delegations addressed to the EEC in writing the following specific questions: what measures had been adopted by the EEC to implement paragraph 3(b) of Article XXXVII in what cases, before adopting a restrictive trade measure, had consideration been given by the EEC to the commitment contained in Article XXXVII:3(c), and to what extent had the EEC notified such cases to the GATT? The representative of the EEC said that it was very difficult to notify compliance with Article XXXVII in relation to those provisions which provided for giving active consideration to the adoption of measures in favour of developing countries or for having special regard to these countries' interests when considering the application of trade policy decisions. The representative of the EEC underlined the importance the Communities attached to the implementation of the notification provisions of the Tokyo Round understanding on this subject. He added that pages 23 and 24 of the EEC submission and the comparative figures in the table on anti-dumping and countervailing duties provided more informative answers to the first written question addressed to the EEC and to the second one respectively. The representative of the developing country who had submitted the written questions asked to what extent the standstill obligation was fulfilled if variable levies and voluntary export restraints were to be taken into account. Referring to Article XXXVII:3(b), he also asked why the EEC anti-dumping legislation did not contain special provisions for developing countries, including in connection with the time limits for providing information under anti-dumping investigations.

20. The representative of one developing country, referring to the desire of the EEC to take a longer term view of their performance in the implementation of Part IV, proposed that the secretariat may prepare a simple tabular statement showing the tariff and non-tariff treatment of products of interest to developing countries in the EEC market in 1965, before Part IV was adopted, in 1979, before the implementation of the Tokyo Round results, and in 1982, in the post-Tokyo round period. Following an exchange of views on this proposal, the Chairman of the Committee stated that he would hold informal consultations on this proposal with interested delegations and the secretariat, before bringing it back to the Committee.

21. Several representatives from developing countries mentioned specific problems of access affecting products of export interest to their countries. The representative of Yugoslavia referred to her country's difficulties in relation to access to the EEC market for both industrial and agricultural products, which still existed despite the bilateral trade agreement concluded with the Communities. The representative of the EEC asked the Yugoslavian representative to provide more specific details of the difficulties she had referred to and expressed his readiness to pursue the issue bilaterally. The delegation of Thailand asked for a reduction of the GSP rate for orchids from 15 per cent to 7 per cent, and also for the phasing out of grey-area measures affecting imports of developing countries including, for example, the voluntary export restraint on tapioca pellets. He also requested the EEC to consider the possibility of notifying the intention to impose health and sanitary measures on imports from developing countries and of providing the opportunity for consultations with the countries concerned. The representative of the EEC answered that, according to his information, the Commission had not been able to include the request on orchids in the proposals for the 1985 scheme. As far as the voluntary export restraint on manioc was concerned, this reflected traditional trade flows and had a growth factor built into it. In regard to health and sanitary measures, the Communities would be ready to consult if specific problems were involved. It was, however, difficult to notify in advance all health and sanitary measures, but early information on changes in that field could be obtained in the context of the Code on standards. The representative of Thailand expressed the desire to follow up certain aspects of the answers given by the EEC representative on a bilateral basis.

22. The representative of Romania restated the request that the discriminatory quantitative restrictions still applied by the EEC on some Romanian products be eliminated by the end of 1985, in conformity with the provisions of the bilateral agreement between the EEC and Romania on industrial products.

23. The representative of Pakistan reiterated the request for GSP treatment for basmati rice and for the elimination of the quota ceiling for outer sole leather.

24. The delegation of Peru listed several products for which his country would be interested in obtaining an improvement in the conditions of access in the EEC market. The products and specific requests made were as follows:

- frozen fillets: the same m.f.n. treatment as EFTA countries (zero duty)
- tinned sardines: inclusion in the GSP scheme at the same level of duty as EFTA countries (10 per cent)
- tinned asparagus: reduction to zero of GSP duty rate for increasing the preferential margin in order to make up transport costs
- alpaca textiles (53.08 and 53.11): increase in the GSP quota, Peru being exclusive producers of these products
- alpaca hand made garments (60.0533, 60.0540, 60.0594, 60.0597, 61,0141, 61,0192, 61.0290): increase in quotas applied under existing special schedule



- tropical products: Peru is still awaiting offers in reply to its request list addressed to the EEC in the Consultations on Tropical Products.

The representative of the EEC said that he would duly inform the authorities in Brussels about the specific points and requests made by developing countries in the consultations and that their delegation would revert to them at a later date.

#### Consultation with the United States

25. In his opening remarks, the representative of the United States noted that his authorities had attached considerable importance to this programme of consultations as an element of the work programme agreed by Ministers at the 1982 Session of the CONTRACTING PARTIES. Moreover, his authorities had emphasized the importance of all members of the Committee, developed and developing alike, participating in the consultations. In this way the Committee would be able to evaluate not only measures taken in pursuance of Part IV, but also to judge whether the opportunities provided by these measures had been utilized effectively. He expressed his confidence that these consultations would confirm that the United States had made a conscious effort to ensure that the principles set forth in Part IV were reflected in the formulation and conduct of the trade policy of the United States in regard to developing countries.

26. The representative of the United States observed that his country had strived to formulate national and international economic policies designed to contribute to the development efforts of developing countries. These policies had aimed to encourage the pursuit of sound economic and trade policies based on the principles of market forces and liberalized trade. Such policies had provided significant opportunities for the growth and diversification of the economies of developing countries, and were reflected in the evolution of trade relations between the United States and developing countries. The United States provided the largest, most open market in the world for the products of developing countries, accounting for more than 20 per cent of all exports from the non-oil developing countries and almost 40 per cent of the exports of these countries to the developed countries.

27. Looking at manufactured goods alone, the representative of the United States pointed out that his country accounted for over 50 per cent of the developing countries exports of these goods to all developed countries taken together. Imports of manufactures from developing countries had grown by over 80 per cent during the past four years. Much of this increase was attributable to imports of more sophisticated, higher value goods, including electrical machinery, telecommunications equipment and office machines. At the same time there had been substantial growth in developing country exports to the United States of traditional manufactured goods, including apparel, steel and footwear, all of which had grown by more than 70 per cent during the four years up to 1983.

28. The United States representative said that in order for these trends to continue it was necessary for developing countries to assume to a greater degree the obligations of the trading system, consistent with their respective levels of economic development. Departures from the principle of non-discriminatory treatment authorized under the Enabling Clause had been important mechanisms for assisting the development efforts of

developing countries, but in order to preserve the integrity of the General Agreement, and to ensure that preferential treatment benefitted those most in need, it was important that the special and differential treatment provisions of the Enabling Clause be applied in a dynamic manner, taking into account the changing level of economic development in individual developing countries. Assuming a greater degree of obligation with respect to the GATT system of trading rules implied that developing countries needed to impose a greater degree of discipline over their trade practices and seek to remove, or simplify, barriers to access in their own markets.

29. The representative of the United States referred to three basic principles which guided United States trade policy as it related to developing countries. The first of these principles was to ensure open access to the United States market for fairly traded goods. In the view of the United States, allegations of protectionism in the United States market failed to distinguish between fairly-traded goods and unfairly-traded goods. The record of the United States was extremely good in providing access for fairly-traded goods and would remain so. This record was illustrated by the rapid growth of imports from developing countries over the last few years (from US\$67.8 billion from non oil-exporting developing countries in 1982 to an estimated US\$94 billion in 1984), which was in turn reflected in the growing United States trade deficit with these countries (from US\$8 billion to US\$33 billion). In regard to trade in goods where foreign exporters were given a competitive advantage through resort to unfair trade practices, the United States would continue to enforce its unfair trade laws in a rigorous fashion. The United States representative also expressed the view that it was not sound development policy for a developing country to promote domestic industry through discriminatory subsidies, arbitrary local content requirements, discriminatory investment policies and prohibitive barriers to imports. There was ample evidence to show that those countries which had followed an inward-looking approach to industrialization had not done as well as those which had taken a more market-oriented route.

30. The second basic principle of United States trade policy was to provide preferential access for the products of developing countries under appropriate circumstances. The United States had extended substantial benefits to developing countries under the GSP programme, and in 1983 the developing countries entered US\$10.8 billion in goods duty-free into the United States under the GSP. However, differential treatment for imports from developing countries was justifiable only on a temporary basis. The provisions of Part IV and the Enabling Clause clearly recognized that differences among developing countries should be reflected in the degree to which they received differential treatment. It was both economically illogical and unfair to give the same degree of tariff preferences to all products from all developing countries. Once a country became competitive in a given product, it no longer deserved nor required preferential market access. It was for this reason that the United States GSP programme embodied product-specific competitive need exclusion provisions. Moreover, at some point developing countries became competitive across such a broad range of products that they no longer needed any preferential access. While none of the current GSP beneficiaries had reached that stage yet, the time was coming soon.

31. The third basic principle of the United States trade policy referred to by the representative of the United States was that of interdependence, or mutual responsibility. It was only if all countries were willing to work together and to share responsibility for the trading system that nations would be successful in resisting protectionist forces. This applied not just to the industrialized countries but also to the more

advanced developing countries, who also needed to liberalize their trade regimes. The more advanced developing countries had reached the point where import barriers and trade distorting measures in their economies had a significant impact on the United States economy. Thus, in order for the United States to be able to open its market even more to the goods of developing countries, all the major trading countries, both developed and developing, would need to undertake further trade liberalization.

32. In referring to the current GATT Work Programme, agreed at the 1982 Ministerial Meeting of the CONTRACTING PARTIES, the representative of the United States said that the decisions embodied in the work programme needed to be implemented fully in order to provide a natural basis for negotiations on further trade liberalization. In this regard, he referred to several specific areas. In the case of safeguards, the United States attached high priority to an elaboration of the current Article XIX provisions. Without an effective system of notification, and acceptance of certain rules about the duration, form and transparency of temporary import relief actions, the structural adjustment of economies would be seriously impeded. Regarding trade liberalization, reciprocal concessions were the proven means of expanding trade opportunities on a secure basis. That approach needed to be applied seriously to trade between developing and developed countries if developing countries were to achieve their full potential as trading nations, as highlighted in the secretariat's study done pursuant to paragraph 5 of the Ministerial Decisions.

33. In the case of agriculture, the United States representative noted the considerable importance to developing countries of this sector. The GATT's discipline over agricultural trade policies was minimal at present, and the use of export subsidies in agriculture was out of control and extremely damaging to all trading nations. These practices were displacing developing countries from export markets and were inducing these countries to waste scarce resources by engaging in such practices themselves. The United States representative urged that efforts be made to ensure that the set of recommendations for creating some discipline in this area, currently being formulated in the Committee on Trade in Agriculture, were responsive to these problems.

34. Referring to tropical products, the representative of the United States said that his authorities recognized the keen interest of developing countries in further liberalization of trade in this area. The United States had already made significant progress, and more than 75 per cent of United States imports of tropical products from developing countries entered the United States market duty free. Almost all of this trade entered duty free on an m.f.n. basis, and the trade weighted average tariff on all imports of tropical products was only 3.1 per cent. The United States supported the efforts of contracting parties in exploring mechanisms for negotiating reductions in barriers to tropical products and encouraged others to match the United States record.

35. In the case of textiles, it was recognized by the United States that this sector was of major importance to developing countries. It was also, however, an area which was particularly difficult for the United States. Nevertheless, the United States would continue to participate in the work of the Working Party on Textiles in a constructive spirit and would co-operate in ensuring that the Ministerial Decision was implemented in a responsive manner which was acceptable to all contracting parties.

36. In concluding, the representative of the United States said that in the view of his authorities the record of the United States was a good one. His country had sought to apply the provisions of Part IV in the formulation of their trade policy toward developing countries to the maximum extent possible, and the results of these efforts were readily apparent. Any potential additional benefits which may be realized would depend on the policies chosen by those countries seeking to take advantage of them. In continuing to strive to assist developing countries in their development efforts by providing the types of opportunities envisioned in Part IV, the United States would, however, continue to emphasize the importance of all countries abiding by their obligations under the General Agreement to the maximum extent feasible, given their respective levels of economic development.

37. The representatives of a number of developing countries expressed their appreciation for the full and frank opening statement made by the representative of the United States. However, these representatives also expressed their disquiet at what they saw as mounting protectionist tendencies in the United States. These trends were observable in relation to import restrictions in general, and in particular in respect of a variety of non-tariff measures. A number of delegations expressed their concern over some aspects of the Omnibus Trade Bill which was currently being considered in Congress, and in particular the possibility that this Bill may diminish benefits for developing countries under the Generalized System of Preferences. Some of these representatives expressed the view that these developments were indicative of a failure to attach significant importance to the provisions and commitments of Part IV, which in a number of cases seemed to have been set aside or ignored in the formulation and implementation of trade policy. Many of them stressed the importance that they attached to the Ministerial Decisions of November 1982 in regard to the implementation of Part IV. In this connection, some representatives noted that the Ministerial Decision referred to the special responsibility of developed contracting parties with regard to the commitments contained in Part IV, and expressed the view that the United States had a particular responsibility in this regard on account of its position in the world trading system.

38. Responding to some of these observations, and in particular the question of special responsibility of the United States, the United States representative said that the satisfactory functioning of the trading system required a joint commitment and a co-operative effort on the part of all contracting parties, since a well functioning trading system could not be ensured by any one country alone.

39. The representatives of a number of developing countries stated that the United States GSP scheme had provided considerable assistance in the efforts of developing countries to expand their exports. There were, nevertheless, certain features of the United States GSP scheme which significantly limited its benefits. These limitations were not consistent with the commitments made by the United States under Part IV of the General Agreement. Certain of these limitations concerned the exclusion of particular products from the GSP scheme, such as textiles, clothing and footwear, which were particularly important in the trade of developing countries. In addition, the competitive need limitation provisions of the United States GSP scheme were considered by several delegations to severely undermine any benefits which might otherwise accrue. There was no statistical evidence that when a country was excluded from GSP treatment on a particular product, this benefitted any other developing countries.

Instead, such restrictions merely led to a greater margin of protection for domestic producers. Moreover, the exclusion criteria were not given any objective basis. The use of a fixed parameter approach made it impossible to judge the appropriateness of exclusion on a case-by-case basis. One representative also expressed the view that the competitive need limitation provisions failed to take account of the wider consequences of excluding a particular product from preferential access, in terms of the spread effects in the domestic economy and the effects on investment of such a decision. Moreover, the exclusion criteria could result in countries having products alternatively included and excluded in successive years, and this gave rise to uncertainty with respect to investment and production decisions. These limitations on preferential access and changes in conditions of access made it difficult for countries who were facing high levels of external debt and also those countries which were seeking to liberalize their own import regimes. These matters were of even greater concern in the light of the likelihood that the renewed GSP scheme would contain even more stringent provisions in relation to competitive need exclusions. Finally, several representatives referred to discussions which had taken place in the Special Committee on Preferences in UNCTAD concerning the need for adequate consultations with respect to changes in the GSP, which would allow a fuller exchange of views and also give countries time to plan and adjust for any changes in the GSP.

40. The representative of the United States undertook to inform contracting parties of the contents of the new Omnibus Trade Bill as soon as it had been passed into law. As far as the GSP provisions were concerned, he said that it had been difficult to marshal support for a continuation of the GSP scheme. An earlier Bill had sought to reduce the number of beneficiary countries and had contained protectionist elements. As a result of efforts by the Administration, however, it had been possible to ensure that the new GSP provisions contained a number of improvements from the previous scheme. In the case of the least-developed countries, the Bill called for an exemption of competitive need limits entirely. For the majority of beneficiaries, the current level of GSP benefits would be maintained and, in some instances, extended through provisions for a waiver of the competitive need criteria. With respect to those countries determined to be highly competitive in specific products, however, the proposals envisaged further product-specific graduation, as well as the potential to waive competitive need limits. In addition, the draft legislation envisaged an increase in the de minimis provisions to US\$5 million.

41. In regard to the graduation provisions contained in the United States GSP scheme, the United States representative said that the GSP was regarded as a temporary and unilateral program and the United States had no intention of negotiating preferences, nor did it expect any quid pro quo for maintaining GSP status for a beneficiary. In the view of the United States authorities the graduation concept was consistent with the GATT and decisions on product-specific graduation within the GSP were based on a consideration of the general level of development of a beneficiary country, the competitiveness of the country in the product concerned, and the overall economic interests of the United States including the effect that continued duty-free treatment would have on the relevant United States producers. Although the graduation provisions had only effected seven out of 140 GSP beneficiaries, these seven countries accounted for more than 70 per cent of imports into the United States under the GSP. The graduation provisions were intended to make the system dynamic and over the longer term to allow for a redistribution of benefits among beneficiaries. In

addition, the graduation provisions made it possible to maintain a wider product coverage than would otherwise be possible. In regard to consultations on the United States GSP scheme, the United States representative stated that opportunities were provided during the annual review procedures for countries to express their concerns or particular interests in regard to the coverage of the scheme or the way in which it operated.

42. The representative of Nigeria noted that his country was completely excluded from the United States GSP scheme because of its membership of OPEC. On the other hand, he noted that some OPEC countries had been included among the beneficiaries, presumably as a result of bilateral arrangements. He said that in the view of his authorities such bilateral arrangements were not consistent with the obligations of contracting parties under Part IV of the General Agreement and also cut across the principle of non-discrimination. The representative of the United States said that all OPEC countries had originally been excluded from the United States GSP scheme but in 1979 an amendment was introduced into the scheme to allow the President to consider designation in certain cases. The United States and Nigeria had been unable to reach agreement which would have permitted Nigeria to be designated a beneficiary. However, consultations had been taking place concerning this issue and if appropriate, the United States authorities would consider asking Congress to amend the GSP Statute to include Nigeria as a beneficiary.

43. The representatives of several developing countries referred to the problem of tariff escalation in the United States market, arising from the continued maintenance of high tariffs in certain sectors. The problem existed with respect to tropical products even if 75 per cent of tropical products entered duty free, as well as in other sectors of particular interest to developing countries, including textiles, clothing, footwear, leather, rubber products and several other sectors. Even where certain products were covered by the GSP, the use of competitive need criteria in several cases meant that the problem of tariff escalation still existed. Responding to these remarks, the representative of the United States referred to the difficulty of assessing the degree to which tariff escalation actually occurred. These difficulties had been clearly identified in a study undertaken by the GATT secretariat on effective protection in the copper industry. Moreover, in the view of her authorities, tariff escalation was not a major problem in the United States market. This view was borne out by information provided by Canada in relation to work being undertaken in the GATT on Trade in Certain Natural Resource Products. Furthermore, the rate of effective protection was considerably reduced by the GSP scheme. The United States representative expressed the willingness of her authorities to work further on this question with any interested contracting parties.

44. The representatives of a number of developing countries referred to protectionism in the textiles and clothing sector. Not only was this sector characterized by high tariffs, but these had been supplemented by the specific barriers sanctioned under the Multi-fibre Arrangement. The Multi-fibre Arrangement was in clear violation of basic GATT principles and affected a sector of fundamental importance to developing countries. These kinds of restrictions had been in force for over twenty years, and these delegations expressed the hope that real progress could be made in the context of the current work program in bringing the textiles and clothing sector back into the mainstream of GATT norms and disciplines. The representative of one developing country stated that while his country was

not opposed in principle to the idea of making contributions to a more open and liberal trading environment, it was extremely difficult to take any such action until this major object of developing country concern had been addressed satisfactorily. Several developing country delegations also referred to the recent measures taken in the textiles sector by the United States, involving changes in the rules of origin and countervailing duty investigations affecting a wide range of imports from thirteen developing countries. They viewed these measures as indicative of the strong protectionist tendencies in this sector and as inconsistent with the commitments of the United States under the MFA and under Part IV of the General Agreement.

45. The representative of the United States said that textiles and clothing was a particularly sensitive sector in the United States economy, and they were certainly conscious that their record in this sector was not altogether blameless. Nevertheless, despite this sensitivity and the additional pressure of the large trade deficit, the United States would continue to participate in the work of the Working Party on Textiles in a constructive way and to seek solutions to these long-standing problems.

46. In regard to countervailing and anti-dumping duty legislation, many developing countries expressed concern at the way these provisions operated and effected the exports of developing countries. Many of these countries felt that there was lack of adequate provision for prior consultation in particular cases, and the provisions often operated in a manner which led to the unnecessary harassment of trade. Such harassment was the result of an excessive degree of automaticity in the response of the authorities to industry petitions. An example of such harassment was provided by one of these representatives, where a finding of injury to domestic industry was made and then revised five months later. This representative said that such procedures inevitably affected the trade prospects of the countries involved. Developing countries were not asking the United States to forego the right to react in cases where unfair trading practices occurred, but rather for a streamlining of the procedures and for less automaticity, which would help to ensure that these provisions did not have a protectionist effect.

47. The representative of the United States emphasized that her authorities did not regard anti-dumping and countervailing duty provisions as protective measures. They were a legitimate response to unfair trading practices, provided for under relevant Articles of the General Agreement. Anti-dumping and countervailing duty investigations were conducted in a thorough and impartial manner on the basis of established, transparent procedures. The representative of the United States also said that her authorities remained willing to discuss the handling of specific complaints with affected parties.

48. In regard to the anti-dumping provisions of the United States, the representative of a developing country requested the United States to consider ways of modifying the procedures as they affected developing countries. In particular, he referred to the possibility of re-examining the criteria used for determining normal value, the possibility of organizing consultations prior to the opening of anti-dumping procedures, the possibility of adopting special and more favourable treatment in favour of developing countries regarding the acceptance of price undertakings, and the possibility of assisting developing countries in their efforts to collect price information in the United States market.

49. The representatives of a number of developing countries referred to the United States practice of refusing to apply the injury test in countervailing duty cases affecting imports from countries which were not signatories of the Subsidies Code. In the view of these delegations this practice, as well as the insistence that Code signatories should phase out export incentives on manufactured goods over a specified time period, ran contrary to the provisions of the Code. Moreover, the selective application of the injury test also contravened the most-favoured-nation principle. Several delegations stated that the United States position on this matter had made it impossible for their countries to accede to the Code, and expressed the hope that some progress could be made on this question in the deliberations presently taking place in the Committee on Subsidies. These delegations emphasized the importance for them of the injury test, since export incentives were essential for their development and for encouraging foreign investment, including from the United States.

50. Several developing country delegations referred to the negative trade effects of United States policies in the agricultural sector. Particular reference was made to sugar policy, which was covered by the United States waiver of 1955. After nearly thirty years, there was no indication of steps being taken to terminate the waiver. In the case of sugar, the representative of Brazil stated that his country had recently suffered a significant reduction in its import quota for the United States market and there was no indication that this reduction had benefitted other developing countries, but rather it had benefitted the producers of sugar substitutes in the United States. He said that since the enactment of the Caribbean Basin Recovery Act, Brazil was the only western hemisphere supplier affected by quantitative restrictions and additional import charges. In his view, the United States practice of subsidizing domestic production and exports, and imposing import restrictions, was inconsistent with Part IV of the General Agreement.

51. The representative of a least-developed country expressed appreciation for the measures that had been taken by the United States in favour of the least-developed countries. He noted, however, that the documentation prepared for the consultations indicated that a number of items were still subject to import duties in the United States, including tobacco, textiles, clothing items, leather and footwear. In view of the very modest share of the least-developed countries in trade in these items, this representative appealed to the United States to consider liberalizing these items for least-developed countries. In addition, he referred to the competitive need exclusion provisions of the GSP, which had in the past affected certain jute products, and expressed the hope that the provisions in the omnibus Trade Bill relating to the exemption of least-developed countries from these limitations would be passed into law. Finally, this representative requested that in future secretariat documentation for Part IV consultations, the coverage of questions relating to the least-developed countries be more comprehensive.

52. Some delegations expressed their satisfaction with the recent decision of the President of the United States not to grant import relief to the copper industry. These delegations also referred to draft legislation currently before the United States Congress which contemplates the imposition of additional import charges on copper. They expressed the hope that the United States authorities would continue to show the same resolve as in the past in respect of such proposals. The representative of the United States said that her authorities were opposing these draft Bills and that they were unlikely to be enacted.



53. A number of delegations addressed specific requests to the United States, in addition to those mentioned above. The representative of Romania noted that his country benefitted from m.f.n. treatment in the United States but that this arrangement was subject to annual renewal. He requested that the United States give consideration to the granting of m.f.n. treatment on a permanent basis or for several years, as this would ensure more stable conditions for the development of trade links between Romania and the United States. In this connection, the representative of Romania also reiterated the request of his authorities that the United States cease to invoke Article XXXV, and accord his country most-favoured-nation treatment on a multilateral basis.

54. The representative of Yugoslavia expressed the particular interest of her authorities in the inclusion of the following products as eligible for GSP treatment: Sardines in oil, Parmesan cheese, pig and hog leather, fruit mixtures, glassware, base metal alloys waste and scrap, cap screws of iron and steel, fixed capacitors, leather footwear, leather wearing apparel, cigarette leaf not stemmed, and ferro-silicon.

55. The representative of the United States noted that specific questions had been received from a number of countries, and expressed her intention to answer those questions which had not been covered during the course of the consultations. One question related to information regarding any plans, programs and policies concerning structural adjustment efforts in the United States. The representative of the United States said that in those instances where relief had been provided under Article XIX of the General Agreement, the purpose of imposing the measures had been to allow the domestic industry in question a period in which to undertake the necessary adjustments to enable it to meet foreign competition. This relief had, therefore, been granted on a temporary basis. The United States representative also referred to the extensive information on United States structural adjustment policies contained in document Spec(82)6/Add.4, which was submitted to the Working Party on Structural Adjustment. More specific information on the textile sector was contained in document COM.TEX/32/Add.19 and COM.TEX/33, which was submitted to the Textiles Committee Sub-Committee on Adjustment.

56. A further question concerned decisions taken by the United States to implement paragraph 1(c) of Article XXXVII, which related to fiscal measures. The United States representative stated that her country did not maintain any fiscal measures which were intended to hinder the exports of developing countries. The few excise taxes in existence were collected on a non-discriminatory basis and were not intended to act as protective measures. The representative of a developing country expressed the view that it was not only a question of whether fiscal measures were intended to impede trade, but whether they actually effected imports. This representative stated that fiscal measures could protect internal producers even if they are applied on an m.f.n. basis, and he wished to know whether this question had been studied by the United States authorities. The representative of the United States stated that her authorities had not received any complaints on this matter, and requested that any difficulties encountered by exporters be specified in more detail.

57. Another question submitted inquired what measures had been adopted by the United States to encourage production of products from less-developed contracting parties or to introduce measures of trade promotion in line with paragraph 3(b) of Article XXXVII. The representative of the United States stated that in the view of her authorities the most effective means

of promoting necessary structural adjustment was through the efficient operation of the market place. The market provided the best mechanism for the efficient allocation of resources in response to long-term changes in domestic and international economies. The United States had, therefore, attempted to maintain an open market to the maximum extent possible while participating in international efforts to negotiate measures to promote additional trade liberalization.

58. Another question requested the United States to indicate the cases in which, before taking a restrictive trade measure, consideration had been given to the commitment contained in Article XXXVII, paragraph 3(c). The United States representative said that the United States had been particularly cognizant of the interests of developing countries in considering whether to take restrictive actions. To the extent possible efforts had been made to avoid measures which would have an adverse impact on developing country suppliers. In this connection, recent import relief requests from domestic producers of non-rubber footwear, stainless steel flatware, and canned tuna had been rejected. Developing countries were the main suppliers of each of these items to the United States market. In another instance, the President had rejected the request of the domestic copper industry for relief, and in doing so had specifically cited the negative impact of such measures on developing country producers. Another example was the recent decision by the President not to provide import relief to the domestic steel industry, which would have severely curtailed imports of steel into the United States market, to the detriment of many developing countries which had emerged as steel exporters. The representative of a developing country said that whilst it was to be expected that the United States would undertake consultations with affected countries before introducing import relief measures, he wondered what evidence there was of ongoing concern regarding the effects of such action on the export interests of developing countries, particularly as there were no legislative requirements to this effect.

59. A further question inquired what measures had been introduced by the United States to comply with Article XXXVII, paragraph 1(b). The United States representative said that to the maximum extent possible, the United States had avoided introducing or increasing the incidence of customs duties or non-tariff barriers on products of export interest to developing countries. In those instances where it had been impossible to do so measures had been imposed on a temporary, non-discriminatory basis, consistent with United States obligations under the General Agreement, and the Multi-fibre Arrangement. In addition, the United States had bound its tariffs on 100 per cent of its imports of industrial products and 90 per cent of its imports of agricultural products.

60. An additional question related to any steps which the United States might have taken to comply with paragraph 4 of Article XXXVI and/or paragraph 2(a) of Article XXXVIII. The United States representative said that the United States had participated in many joint actions to improve access to world markets for primary products of particular export interest to developing countries. The United States had also participated in efforts to devise measures designed to stabilize and improve conditions in world markets for primary products, including measures designed to attain stable, equitable and remunerative prices for exports. In particular, the United States had helped to negotiate and implement agreements designed to stabilize world market prices for coffee, sugar, rubber and tin. In addition, the United States signed the agreement for a Common Fund for commodities and would consider ratifying that agreement when there was an

indication of which, if any, of the buffer-stocking international commodity agreements intended to associate with the Common Fund. The United States had also recently joined the International Jute Organization and had participated in the negotiation of the International Tropical Timber Agreement.

#### Consultation with Japan

61. In his opening statement, the representative of Japan observed that while the background information provided by Japan for the purpose of this consultation (COM.TD/W/413) was comprehensive and covered all aspects of Japan's contributions in response to the provisions of Part IV, including Japan's very important and significant contributions in regard to provisions that went beyond the traditional trade domain, he would confine his introductory remarks to the salient trade aspects of Japan's contributions.

62. Referring to Japan's Generalized System of Preferences, the representative of Japan observed that his country was amongst the first that instituted the GSP for the benefit of the developing countries, in August 1971. Also, in April 1981, the Japanese Government decided to extend the application of the GSP for another ten years, until the end of March 1991. All were keenly aware of the ups and downs of the world economy in the 1970s. No country had escaped from the economic hardships of those years, and Japan was no exception. Nevertheless, his Government had consistently tried to improve the effectiveness of their GSP system in such areas as the enlargement of product coverage, increases in the number of beneficiariés, reduction of GSP rates, expansion of ceilings, and flexible administration of control mechanisms.

63. Referring to the control mechanisms in the Japanese GSP scheme, he remarked that the scheme was equipped with a ceiling mechanism on industrial products, a watching mechanism, and in extreme cases, a suspension procedure. These mechanisms were no more than a safety net, and were the price that the Japanese Government had to pay to the domestic producers in exchange for their acceptance of the GSP, since the institution of the scheme had had a significant impact on the interests of the domestic producers. In the actual administration of the control mechanisms, however, his Government was always mindful of the interests of their developing trade partners, and had endeavoured to make the actual application of these rules as flexible as possible. To cite only one example, in fiscal year 1983, only 2 product groups out of 110 which were subject to flexibly administered ceilings were suspended from GSP treatment.

64. The representative of Japan further remarked that the trade expansion effect of the Japanese GSP had been remarkable. Japan's imports of agricultural products under GSP, in fiscal year 1972, that is at the initiation of the system, amounted to US\$58 million. In fiscal year 1983, the amount was US\$1,129 million, an increase of nearly twenty times. Japan's GSP imports of industrial products increased from US\$305 million to US\$4,194 million, i.e. roughly fourteen times, over this period of eleven years. In total, Japan's GSP imports in 1983 amounted to US\$5,323 million, nearly fifteen times larger than the figure eleven years ago, i.e. US\$363 million.

65. The representative of Japan further observed that over and above the substantial reduction of tariffs and liberalization of non-tariff barriers achieved by Japan, in common with other developed as well as developing

countries, during the past several rounds of multilateral trade negotiations, including the last, Tokyo Round, his Government had taken a series of actions unilaterally, without seeking reciprocity, for further opening of the Japanese market. The most recent of these actions were the five packages of external economic measures announced between December 1981 and April this year. They encompassed a wide range of measures - the advanced implementation of Tokyo Round tariff concessions as well as other tariff reductions and eliminations on some items, the relaxation of import restrictions, the streamlining of the standards and certification systems, the improvement of customs procedures, the establishment of the Office of Trade Ombudsman, and other measures. Details of these measures had been given in relevant GATT documents, including Japan's submission for this consultation (COM.TD/W/413). The measures were global in character, designed to facilitate access to Japan's dynamic market. Of these, measures of particular trade interests to developing countries included (a) tariff reductions on frozen shrimps, prawns and lobster, coconut oil, particle board, fowls (excluding legs with bone in), fresh bananas and other tropical products, (b) the relaxation of import restrictions on fruit puree and paste, fruit pulp, fruit juice, dried leguminous vegetables, etc., (c) improvements in GSP management and (d) improvements of the standards and the certification systems, etc.

66. The representative of Japan further remarked that in connection with Japan's sincere contribution to facilitate access to the Japanese market, the Japanese Government has refrained from taking any new import restrictive measures, either under Article XIX, or under the MFA, the Subsidies and Countervailing Duties Code, and the Anti-Dumping Code. Set against an unfavourable economic and trade environment, this was not an insignificant achievement.

67. The representative of Japan stated that over the last twenty years, thanks to the initiative of the private sector, coupled with appropriate policy measures, Japan had actively promoted structural adjustment. The policy objectives in this context were to build up a flexible domestic industrial structure on the one hand, and to maintain the dynamic international division of labour and diversification of trade on the other. Measures designed to facilitate the disposal of inefficient and obsolete production facilities and the reallocation of manpower in areas requiring adjustment had been actively pursued. The general trend in the last two decades may be summarized in the following way. In the decade of the 1960s, the share of labour-intensive industries such as textiles in Japan's total industrial production declined, and the share of the metal, machinery and chemical industries increased. Since the 1970s, the energy intensive and petrochemical industries had stagnated, while the processing and assembling industries had increased their share. On the other hand, industries producing high value-added goods and the information service industry were increasingly prominent. It could be concluded that knowledge-intensive industrial activities had been progressing rapidly.

68. Referring to Japan's trade-related economic co-operation with developing countries, the representative of Japan stated that to develop export capability of developing countries was one of the priority areas in Japan's economic co-operation programmes. For this purpose, Japan offered Yen loans and extended technical co-operation. The Japan International Co-operation Agency (JICA) was active in holding seminars and dispatching experts on trade promotion, food inspection, quality control, etc. The Japan External Trade Organization (JETRO) also played an important role in the export promotion of developing countries. With regard to the Japanese

GSP scheme, it was recognized that distant and small exporters could have particular difficulties in utilizing the Japanese GSP scheme, as is pointed out in the background Note by the Secretariat (COM.TD/W/410, paragraph 47). In order to alleviate such difficulties, the Japanese Government had implemented various technical assistance projects including sending missions and experts and organizing seminars on GSP.

69. In concluding his introductory remarks, the representative of Japan observed that in 1970, Japan's imports from non-oil developing countries amounted to US\$5 billion (rounded). In 1983, Japan's imports from these countries amounted to US\$36 billion. During the same period, Japan's imports from developed countries increased from US\$10 billion to US\$49 billion. In terms of market share, non-oil developing countries increased their share between 1970 and 1983 from 26 per cent to 28 per cent. In contrast, developed countries' share declined from 55 per cent to 39 per cent. These figures showed that Japan's trade relations with the developing countries had already grown into a matured partnership. This development was not limited to Japan alone, but was a global phenomenon. Today, trade involving developing countries was not a sub-system but an indispensable and integrated component of the global trade system. Commensurate with such development, a shared conviction had rapidly grown that all contracting parties should work together to preserve and strengthen our common property, i.e. the GATT system. The case in point was the Ministerial Work Programme, of which one important area were the Part IV consultations in the Committee on Trade and Development. It was the firm view of Japan that the Ministerial mandate must be fulfilled, since this would be a necessary groundwork for multilateral negotiations in furtherance of the free and non-discriminatory trade principles. Being a country whose central stake was the preservation of the multilateral trading system, Japan had made its utmost contributions, including unilateral ones, to strengthen the GATT system. Japan would continue to work hard with its partners, in particular developing countries, for this purpose. In this context, they welcomed the Part IV consultations.

70. The representatives of a number of developing countries expressed their appreciation for Japan's overall record of responding to the trade interests and concerns of developing countries and its continuing efforts at liberalization of access to its markets in the spirit of the provisions of Part IV. They referred in this context to the fact that Japan was one of the first developed countries to institute the GSP and that its GSP scheme was one of the best in terms of country coverage; the fact that Japan had refrained so far from taking any restrictive measures under Article XIX, the MFA, the Subsidies and Countervailing Duties Code, and the Anti-Dumping Code; and to the successive packages of unilateral trade liberalizing and market-opening measures that had been introduced by Japan in recent years.

71. It was also remarked that trade flow data for the last decade clearly showed the increasing importance of non-oil developing countries as Japan's trading partners, both as markets for Japanese exports and as sources of Japan's imports.

72. The representatives of some developing countries, however, expressed their concern at what was regarded as increasing disharmony in Japan's trade relations with the non-oil developing countries. While Japan's imports from these countries over the recent years had remained more or less at a constant level, Japan's exports to these countries had maintained an appreciably rising trend, resulting in progressively larger trade

deficits for these countries. They further pointed out that whereas Japan's exports to these countries entirely comprised high value-added manufactured products, imports from these countries were still mainly raw materials, the proportion of manufactures being relatively small. Despite the obviously positive character of Japan's trade policies towards developing countries and notwithstanding the successive trade liberalizing and market opening measures adopted by Japan, economic operators from developing countries felt that they were faced with a cobweb of official regulations and administrative procedures which thwarted and defeated their efforts to promote exports of manufactured products to Japan. By way of an example, it was pointed out that despite the absence of any restrictive measures, under MFA or otherwise, imports of textiles and clothing to Japan accounted for a relatively small share of the total apparent consumption in the Japanese market, and represented the lowest import penetration level amongst the leading developed countries. Japan, which had within living memory progressed from a not-so-developed country to a highly-developed country, enjoying one of the strongest and healthiest economies amongst all developed countries, could appreciate well from its own experience how the textiles and clothing industry acted as an engine of growth for countries at early stages of industrialization and economic development. Developing countries had watched with envy and admiration how well the Japanese economy had weathered the stresses and strains of the global economic crisis of the 1970s. They felt that Japan had a special responsibility, and they had every reason to expect that Japan should make a very special effort, to ensure that the intent and purpose of its positive and liberal trade policies towards developing countries was effectively translated into improved actual trade flows and a higher share of manufactures in Japan's imports from developing countries.

73. The representative of one of these developing countries reiterated a proposal that they had made earlier, in the context of the consultation with the EEC, that in order to evaluate and assess progress that had been achieved by a consulting country in the implementation of the provisions of Part IV, a simple tabular statement may be prepared, as a part of the background documentation, showing the tariff and non-tariff treatment of products of interest to developing countries in that market at three points in time which constituted leading watermarks in the history of Part IV, namely 1965 (at the time of the adoption of Part IV), 1973 (base line for the Tokyo Round), and 1982 (post-Tokyo Round) so as to bring out clearly what progress had been achieved since the adoption of Part IV in liberalization of access to markets for products of interest to developing countries, and to what extent this progress had been registered specifically as a response to Part IV obligations. Representatives of some other developing countries supported this proposal.

74. The representatives of some developing countries referred to the fact that Japan had bound m.f.n. tariffs only on 64 per cent of its tariff lines covering agricultural products, accounting for 66 per cent of its 1977 imports of agricultural products. This was the lowest level of bindings amongst all developed countries. They suggested that Japan should consider binding m.f.n. tariffs on a larger part of its agricultural imports so as to provide more secure and stable conditions of access to its market.

75. Representatives of a number of developing countries also pointed out that the average post-MTN m.f.n. tariffs of Japan (simple as well as weighted) on a number of agricultural products of interest to developing

countries were at higher levels than in many other developed countries, which reflected a higher level of protection for agricultural products in Japan.

76. Representatives of some developing countries observed that even though the average post-MTN tariffs of Japan on industrial products (both simple and weighted) were comparable to those of other developed countries, tariffs on many products of vital importance to developing countries (such as textiles and clothing, leather, leather products, footwear, etc.) remained at levels much higher than the averages.

77. Some of these representatives also observed that there was steep tariff escalation in Japanese m.f.n. tariffs on many products of vital interest to developing countries, such as textiles and clothing, leather and leather products, wood products, fish and fishery products, and vegetable and fruit products. This constituted a formidable barrier to the exports of semi-manufactured and manufactured products by developing countries to Japan.

78. Responding to this observation, the representative of Japan remarked that tariff escalation was a difficult question, which was not peculiar to Japan. Its nature was a reflection of each country's industrial structure. Japan was cognizant of its effect on trade. They were ready to participate actively in any initiative in GATT for a study of the problem, in pursuance of the Ministerial Decision in this regard. The problem was one of multilateral concern, and afforded very little scope for unilateral action. However, on their own part, they had done their best to mitigate the trade restrictive effects of tariff escalation.

79. Representatives of some developing countries observed that selective internal taxes maintained by Japan on some products of interest to developing countries, particularly some tropical products such as coffee and cocoa, were discriminatory in their incidence, if not the intent, and constituted constraints to the growth of the consumption of these products. These representatives felt that the maintenance of these internal taxes was clearly out of accord with the spirit of Article XXXVII, paragraph 1(c)(ii). There was also some question regarding the GATT justification for such selective internal taxes.

80. Responding to this observation, the representative of Japan stated that internal taxes were not a trade policy related matter. They were purely fiscal in nature. The choice of products and level of the tax depended upon the tax-bearing capacity of the products concerned. The taxes on coffee and cocoa had already been reduced drastically and their rate was no higher than the taxes on other beverages. In any case, in maintaining these taxes, it was not at all intended to discriminate against imports from developing countries.

81. Representatives of a number of developing countries observed that quantitative restrictions maintained by Japan on some products of interest to developing countries, particularly those falling in Chapters 1 to 24 of the CCCN, and other non-tariff measures such as highly complex and obscure customs and administrative procedures, regulations in regard to technical standards, packaging and labelling requirements, and health and sanitary regulations constituted serious barriers against exports from developing countries and to a considerable extent defeated the purpose of liberalization measures adopted by Japan. One of these representatives particularly referred to the phytosanitary restriction against the export

of table grapes from his country to Japan and observed that the restriction was unjustified since it was well known, and recognized in the United States and in Western Europe, as well as by the experts of FAO, that there was no incidence of the Mediterranean fly in his country. He also pointed out that, curiously, the import of table grapes to Japan from some other sources, known to be affected by the Mediterranean fly, appeared to be unrestricted. Another representative observed that the phytosanitary restriction on the import of fresh Papayas from his country should not be applied in a trade restrictive manner.

82. The representative of Japan observed that they had made their best endeavours in the context of their recent trade liberalizing and market-opening packages to liberalize access to their market for products of particular interest to developing countries. However, their efforts had by no means been exhausted and they will continue to examine the possibility of further improvements in this regard, taking into account the requests from developing countries. Insofar as agricultural products were concerned, they were actively participating in the work of the Committee on Trade in Agriculture, and had every hope that the Committee will achieve progress in its endeavours, taking into account the special characteristics of agriculture. They had already undertaken considerable efforts to streamline and simplify their customs and administrative procedures and to improve their transparency. However, health and sanitary regulations were purely a technical matter, and in no sense trade restrictive. Imposition of restrictions on this basis, or their removal, were matters for the satisfaction of the relevant technical authorities.

83. Referring to the Japanese GSP scheme, a number of representatives of developing countries observed that there was considerable room for improvement in the provisions of the scheme. The following aspects of the scheme were pointed out in this respect:

- (i) Coverage of agricultural products was still inadequate. Many products of interest to developing countries were still excluded from the scheme. Out of 179 agricultural items covered by the scheme, 119 items were subject to positive rates of duty. In this context, representatives of some developing countries referred to the interest of their countries in particular products, such as dried leguminous vegetables, preserved meat, fish, fresh, refrigerated or frozen, crustaceans and molluscs, preserved fruits, fruit juices, cheese, oranges, dried onions, molasses and fresh bananas;
- (ii) A number of industrial products of vital interest to developing countries, such as skins, leather garments and accessories, footwear, and textile products were excluded from the scheme; in this context, one of the representatives made a reference to the particular interest of his country in other cotton yarn for embroidery and lace, not for sewing, unprepared, for retail sale (5505-2(2), and other woven fabrics of cotton (5509);
- (iii) Ceilings and maximum country amounts relating to industrial products covered by the scheme constituted severe impediments to the utilization of the scheme. The system for the enforcement of these limits was extremely complex, lacking in transparency, and not conducive to the full utilization of



even the limited benefits that were available. In the absence of clarity and certainty of conditions of access under the GSP, developing countries were unable to take full advantage of the opportunities for trade offered by the Japanese GSP or to undertake any long-term planning of their exports to Japan under GSP;

- (iv) Agricultural products subject to positive GSP rates, industrial products excluded from the scheme, and the ceilings and maximum country amounts under the scheme were originally established in the early 1970s on the basis of product sensitivity at that time. There did not appear to have been any fundamental review of the scheme in this context in the changed circumstances of the 1980s so far;
- (v) Mainly owing to the existence of the ceilings and maximum country amounts, but also owing to the complexities of the administration of these limitations, in 1983, only about 55 per cent of the imports of industrial products covered by the scheme actually received GSP treatment.
- (vi) While the efforts undertaken by the authorities in Japan to improve the transparency of their scheme and to extend technical assistance to developing countries in this regard were appreciated, this was not really the answer and the system itself and the mode of its administration needed to be simplified;
- (vii) The overall increase of 50 per cent in the ceilings and maximum country amounts effected in 1984 was appreciated. However, the increase in the total ceiling quotas does not benefit equally all items in the GSP. "Sensitive" items had little or no increase at all. Some non-sensitive items had relatively large increases. This was apparently done so as to help achieve a targetted 50 per cent increase in total ceiling quotas.

84. Representatives of some developing countries stated that they intended to present specific requests in regard to products of interest to them to the Japanese delegation shortly. Some other representatives drew attention to the specific requests that they had addressed to the Japanese delegation in the course of the consultations on Tropical Products, and observed that they were waiting for the response of Japan to these specific requests. The representative of one developing country observed that her country was the principal supplier of wine in containers of 150 litres to Japan, which had enjoyed a substantial preferential margin under the Japanese GSP scheme. However, owing to an m.f.n. tariff concession granted by Japan in the context of the Tokyo Round, the GSP preferential margin would be reduced from ¥ 120 to ¥ 50 per litre as of April next year. She proposed that Japan considers the possibility of giving duty-free treatment under GSP to imports of wine in bulk.

85. Responding to the observations in regard to the Japanese GSP scheme, the representative of Japan remarked that the coverage of agricultural products in their GSP scheme had been continuously improved. Only fifty-nine agricultural products were covered in the scheme at its start, and the number now was seventy-five. They will give serious consideration to all further requests in this regard, to see how far they could be met.

He further remarked that the overall level of ceilings and maximum country amounts in regard to industrial products at present was seven times of the level in 1971. Major improvements in this regard had been effected in 1977, 1981 and 1984. He further observed that their concerned officials regularly reviewed the coverage, level, and functioning of the control systems in regard to the imports of industrial products under GSP. All requests and proposals for improvements in this context will be fully taken into consideration and every effort will be made to effect improvements that will enable better utilization of the benefits offered by their GSP scheme. With regard to the question of erosion of GSP margins resulting from reduction of m.f.n. tariffs, the representative of Japan observed that this was fully in accord with the understanding embodied in the CONTRACTING PARTIES Decision of 25 June 1971.

86. Referring to the latest of the series of packages of trade liberalization and market opening measures unilaterally adopted by Japan since 1982, the representative of a developing country requested clarification as to whether all the notified measures had already taken effect, or would be implemented gradually over a period of time. Some representatives observed that most of the products covered by these measures appeared to be mainly of export interest to developed countries. One of these representatives observed that many concessions on tariffs given by Japan to the developed countries (in the various trade liberalization packages) had reduced the preferential margin for many products given in the Japanese GSP to the developing countries.

87. Responding to these observations the representative of Japan remarked that in determining the liberalization measures adopted by Japan in the context of the MTN, and in their implementation such as through advanced staging of tariff concessions, they had duly endeavoured to take into account the interests of developing countries, on a non-reciprocal basis. The concessions made by them covered many products mainly of interest to developing countries. They had also given very serious consideration to the interests of developing countries in preparing the packages of trade liberalizing and market-opening measures unilaterally adopted by them since 1982. In his introductory statement, he had referred to many specific products of serious interest to developing countries, which were also quite sensitive from the point of view of Japanese producers, and which had been covered in the liberalizing packages. This was not easy for them, and should underscore the seriousness of their effort. Quite obviously, it was not possible to accede to all requests and proposals from developing countries, in view of their own economic and political sensitivities.

88. Representatives of some developing countries enquired whether the liberalization measures adopted by Japan in regard to leather and leather products (in the context of some bilateral consultations) would be available to all GATT contracting parties on an m.f.n. basis.

89. Referring to Table 8 in the Japanese Submission (COM.TD/W/413) the representative of Argentina observed that the statistics of Argentina's exports to Japan during 1983-84 appeared to be erroneous and needed rechecking.

90. In his overall response to the comments and observations made by the representatives of developing countries, the representative of Japan remarked that his delegation had taken satisfaction and encouragement from the expressions of appreciation that had been made for the positive aspects of Japan's trade policies and for the actions and measures that they had

adopted, in keeping with the spirit of the provisions of Part IV, to liberalize market access for exports from developing countries. His delegation had taken careful note of all the specific comments, observations and suggestions that had been made by representatives of developing countries and would make a faithful report of the same to their authorities in Tokyo. His authorities will no doubt take them fully into account and see how best they could respond to them.

Consultation with a group of developing countries members of ALADI  
(Argentina, Brazil, Chile, Colombia, Peru and Uruguay)

91. In his introductory statement, speaking on behalf of the six consulting countries, the representative of Uruguay observed that the consulting countries, who were GATT contracting parties amongst the members of ALADI, a regional organization, were participating in the consultation to inform the Committee of their joint action under Article XXXVII, paragraph 4. They had submitted a set of documents which contained all the information and data required for the purpose of this consultation. (These documents included COM.TD/W/416, COM.TD/W/416/Add.1 and L/5689, which had been circulated to the members of the Committee, and the document Evolution and Structure of Trade of LAIA Member Countries, 1952-1980, which had not been circulated because of its large bulk, and was available for consultation in the secretariat). In addition, the secretariat had prepared the document COM.TD/W/411, which contained substantial information on the consulting countries. It was an interesting and useful document. The consulting countries believed that its contents really went beyond the purpose of this consultation, since it dealt with national policies of the countries concerned.

92. Referring to document COM.TD/W/416, the representative of Uruguay observed that the document dealt with structural changes in the trade of the members of ALADI in 1981-82 (bringing up to date the narrative in the earlier document covering the period 1952-80). The following salient conclusions emerged from this document:

- (i) In the early years of the present decade, the ALADI countries experienced a rapid deterioration in their external climate because of stagnation of world trade, rising interest rates, the fall in prices of products exported and deterioration of the terms of trade. These four factors were the cause of serious payment crises in nearly all the countries;
- (ii) The ALADI countries have maintained a high export rate notwithstanding the stagnation of world trade. The volume of exports increased fairly rapidly in 1980, 1981 and 1982. Nevertheless, this effort was offset and exceeded by the unfavourable impact of international prices and by rising interest rates. As a result the volume of imports declined by 20 per cent in 1982;
- (iii) The region's share in exports by the ALADI countries was 13.8 per cent in 1980, 13.1 per cent in 1981 and 12.2 per cent in 1982. This percentage decline is logical, since being a net debtor in respect of the rest of the world, ALADI must achieve substantial surpluses in its trade balance by increasing its exports to the rest of the world;

- (iv) The general contraction of imports had a negative impact on imports from the region, which dropped back by 13.3 per cent in 1982. Nevertheless this contraction was smaller than the decline in total exports. The percentage of imports purchased within the region in relation to total imports increased from 12.5 per cent in 1980 to 13.4 per cent in 1981 and 14.9 per cent (the highest level in the history of LAFTA-ALADI) in 1982. While trade was declining overall, intra-regional imports contracting relatively less;
- (v) The long-term downward trend in the share of imports of negotiated products in intra-regional imports continued in 1981 and 1982. In 1980 the percentage (excluding petroleum) had been 36.3 per cent; it declined to 32.1 per cent in 1981 and 31.4 per cent in 1982;
- (vi) The value of imports of products covered by the former complementarity agreements (now trade agreements) is still modest although it has been increasing fairly substantially in recent years. In 1982 those products accounted for 11.3 per cent of imports of negotiated products and 3.5 per cent of imports other than fuel;
- (vii) As regards the Payments Agreement and the Santo Domingo Agreement, the system operated adequately until 1981. In that year, it covered 83 per cent of intra-regional trade, and afforded savings equivalent to 61 per cent of that trade in convertible foreign exchange. In 1982 the payments crisis affected the system which only succeeded in covering 78 per cent of this trade, with foreign-exchange savings equivalent to 46.6 per cent thereof. This underlines the urgency of adopting special mechanisms for intra-regional trade - whether monetary or barter arrangements - in order to offset the payments crisis. At the present time, the preferred solution for regional producers would be the implementation of a mechanism to ensure balanced trade without any disbursement of strong currencies.

93. Referring to COM.TD/W/416/Add.1, the representative of Uruguay observed that the document referred to special modalities adopted in ALADI in relation to the less-developed member countries of the Association, in the spirit of Article XXXVII, paragraph 4. In accordance with the principles of non-reciprocity and community co-operation, mentioned in the Treaty, members of ALADI had adopted a number of measures and actions to facilitate the participation of relatively less-developed member countries, as defined in the Treaty. Various measures had been adopted in this regard, such as market opening measures. In accordance with Article 18 of the Montevideo Treaty, member countries signed three regional agreements listing products of the relatively less-developed countries - Bolivia, Paraguay and Ecuador - to which special facilities for access are granted. A few days ago, an enlargement of the relevant schedule of products was adopted. More favourable tariff treatment was granted in favour of these countries. Automatic extension was accorded to concessions granted in the partial scope agreements. Other co-operation measures in favour of the relatively less-developed countries, such as certain special trade agreements, had also been listed in the document. Under Article 25 of the Treaty, some of the ALADI countries had signed partial scope agreements with other Latin American countries which were not members of the

Association. Such agreements had been concluded between Argentina, Mexico and Colombia (amongst ALADI members) and a number of other Latin American countries which were not members of ALADI. Details in this regard could be seen at 3(b) in document COM.TD/W/416/Add.1.

94. The representatives of a number of developed countries expressed satisfaction at the participation of the ALADI countries in the Part IV consultations and complimented these countries on being the first group of developing countries to consult with the Committee in regard to their contributions to the fulfilment of their obligations under Part IV. They also expressed appreciation for the very substantial and comprehensive documentation that had been submitted by ALADI countries for the purpose of these consultations.

95. The representative of the United States was of the view that the willingness of ALADI countries to consult reinforced the principle of mutual responsibility among all contracting parties to the General Agreement. She reiterated the view expressed by her delegation earlier, that if the GATT was to function as an effective framework for international trade, responsive to the needs of developing countries, it will require increased co-operation on the part of all GATT members, developing and developed alike. In this regard, she recalled that the provisions of Part IV included certain responsibilities for developing countries. Specifically, Article XXXVII:4 contained a commitment for developing countries to take appropriate actions for the benefit of other less-developed countries insofar as such action was consistent with their individual present and future development, financial and trade needs, taking into account past trade developments as well as the trade interests of the less-developed contracting parties as a whole. Article XXVIII contained provisions for joint action in order to achieve this objective. In the view of her delegation, Part IV implicitly required developing countries to ensure that the development opportunities provided by the developed countries were used effectively. Her delegation had found the consultation process to be quite useful. As they had learned from their own experience in this process, all countries could benefit from additional information and questions concerning the individual measures taken by contracting parties. They had heard how important specific measures were and how developed countries could improve these measures. She also reiterated the importance of developing countries adopting sound economic practices to fully utilize these opportunities. In this regard her delegation would have appreciated if the ALADI submissions would have contained more information on the extent to which member countries had taken advantage of the opportunities provided by developed countries in implementing Part IV. She further observed that the ALADI countries had notified the GATT concerning some of the details of their arrangements. In this regard, her country would be interested in additional information from the ALADI countries concerning these agreements and their impact on the trade interests of other developing countries in view of the provisions of Part IV.

96. The representative of Uruguay observed that the extent to which ALADI countries had made use of the opportunities offered by PART IV measures and actions adopted by developed countries was too wide-ranging a question to which it would be difficult to give a short and precise answer. It maybe sufficient to say that they were keenly interested in the effective implementation of the provisions of Part IV, and alert to any opportunities for trade opened by any measures or actions taken by developed countries with a view to the better implementation of Part IV.

97. The representative of the United States further observed that her delegation had noted that the preferential agreements described in the secretariat's submission says that ALADI applies special and differential treatment to member countries on the basis of the stage of development of the individual countries. They would be interested to learn the criteria used in establishing the categories of less-advanced countries; intermediate countries and the more-advanced countries for purposes of the regional tariff preferences. They would also like to know how individual member countries became associated with the categories, and finally, what considerations will be taken into account on revising these classifications under the agreement. They were pleased to see that the ALADI countries agreed with the principle that differential treatment should be applied in a dynamic manner in order to be responsive to the changing needs of developing economies.

98. Similarly, her country appreciated the efforts of the ALADI countries to stimulate trade within the region. However, they interpreted the provisions of XXVII 4:c to also include measures for other developing countries, regardless of their geographic location. Her Government would be very interested to learn what measures had been taken for developing countries outside the region. Also, what had been the impact of these regional arrangements on developing countries outside the region. The ALADI submission did not address this area, nor did it discuss the affects of any of the import restrictions imposed by the individual ALADI members on the trade of other developing countries, both within the arrangement and outside.

99. The representative of a group of developed countries observed that his delegation had noted with satisfaction that the principle of special and differential treatment is accepted in the form of non-reciprocal concessions such as the reduction or elimination of customs duties and other restrictions, and a number of other measures of economic co-operation which were listed in the document COM.TD/W/416/Add.1. They would have liked to see in that document, and would have liked to know what was the volume of trade in the products covered by these special and differential arrangements. They noted from document COM.TD/W/416/Add.1, that some enlargement of liberalization measures was envisaged at the Seventh Special Session of the Conference in September this year. They would like to be informed what final decisions were taken in this context, and have some indication of the nature of trade which would be affected by these additional arrangements. He further enquired how many categories of countries had been established within the Association on the basis of levels of economic development, and how these different categories of countries were determined.

100. Responding to these observation, the representative of Uruguay remarked that only three levels of economic development were recognized under ALADI, namely relatively less-developed countries, countries at an intermediate level of economic development, and relatively more-developed countries. It would be necessary to go into economic history of the region and a whole series of complex negotiations in ALADI and its predecessor LAFTA to identify the grounds and criteria which served as the basis for these classifications. He could perhaps furnish to the secretariat some background documentation in this regard for perusal by interested delegations. ALADI was a "co-operative of the poor", and they fully understood the problem of each other and responded to them as concretely as possible. He informed that at the Seventh Special Conference of ALADI

countries on 14 September last, product coverage in favour of the less-developed countries had been enlarged, and under three additional protocols, all restrictions on the trade of Bolivia, Ecuador and Paraguay had been eliminated.

101. The representative of Uruguay further observed that a series of other Latin American countries had benefitted from partial scope trade agreements with member countries of ALADI. No developing country in the region or outside had ever complained that their trade interests had been prejudiced by the establishment or functioning of ALADI. ALADI was an instrument set up to promote the process of economic development, and all developing countries viewed it with understanding and sympathy. He further remarked that it was anticipated that adequate provisions for special and more favourable treatment of the least-developed countries would be made under GSTP, the global arrangement for trade co-operation between developing countries that was currently being negotiated under the auspices of UNCTAD.

102. The representative of the United States observed that her country certainly valued its trading relationship with the ALADI countries. Their balance of trade situation had declined with several of these countries, in part due to import restrictions that had been adopted by them. The purpose of these consultations, in their view, among other things, was to look at the trade relations among developing countries themselves. They would be interested in knowing if the import restrictive measures, some of which had been taken for balance of payments reasons, had had an adverse effect on ALADI countries trade with other developing countries. For example, Argentina recently extended its import licencing scheme until the end of 1984. Colombia eliminated the free importation of goods through import licencing requirements and restrictions on the allocations of foreign exchange. Uruguay had tariff surcharges introduced for balance of payments reasons in 1982. They would like to know what the impact of measures such as these had been on ALADI's trade with other developing countries. They would also like to know if there were plans to liberalize trade as the payments situation of the concerned countries improved, as it seemed to have been doing recently. The representative of another developed country enquired as to how the import licensing arrangements maintained by some ALADI countries in regard to textiles and clothing had affected imports of these products from other interested developing countries.

103. The representative of Uruguay stated that no complaints had so far been received by any of the ALADI countries from other developing countries in regard to the restrictive measures adopted by them for balance-of-payments reasons. Developing countries fully understood the reason and justification for these measures. Many of them were faced with similarly adverse external factors, such as heavy debt burden, and protectionist measures faced by their exports in traditional markets. They shared the hope that they would eventually be able to recover from these adverse external factors and regain the momentum of economic growth.

104. The representative of the United States observed that during the past three days of consultations developing countries had suggested additional measures which should be adopted by developed countries in keeping with Part IV. One area which several delegations mentioned was that of tariff escalation. Her delegation noted the difficulties with regard to studying this issue. However, it was important to note that this issue affected trade among developing countries as well. Her delegation would be

interested to know if, consistent with PART IV, what efforts the ALADI countries had taken to alleviate these problems, particularly for the benefit of other developing countries.

105. The representative of Uruguay stated that a number of different measures had been adopted by ALADI to achieve uniformity and coherence in the tariff regimes of the member countries.

106. The representative of a group of developed countries asked whether any data could be provided in regard to the volume or value of trade of the ALADI countries with the less developed countries outside the region, in particular the least-developed countries listed by the UN, and whether any proposals or plans existed for improving or extending special and differential treatment in favour of these countries in the future.

107. The representative of Uruguay observed that the documentation that had been made available to the secretariat contained a whole series of trade flow statistics amongst ALADI countries, within the region, and with the developing countries outside the region, and with the least-developed countries.

108. The representative of yet another developed country enquired how member countries of ALADI viewed the contribution that their Association might make to the global expansion of international trade. How did they view the future of their trade relations with the developed countries and the nature of these trade relations.

109. The representative of Uruguay observed that ALADI countries had an extremely positive attitude towards their trade relations with the outside world. They did not seek isolation, or any compartmentalization of trade, and would continue to make strong efforts to expand their trade with the outside world.

Chairman's concluding remarks

110. The Chairman observed that in a number of cases delegations of the consulting countries at the present session of the Committee had undertaken to respond to specific questions after checking with the capitals. He suggested that such responses should be routed through the secretariat, so that a complete record of the consultations could be maintained, and the responses made available for information to all members of the Committee.

111. The Chairman observed that he would consult with delegations informally on the proposal made by the delegation of a developing country on the need for the preparation of a simple tabular statement on progress achieved by consulting countries in the implementation of the provision of Part IV.

112. In summing up the proceedings at the present session of the Committee, the Chairman observed as follows:

"In compliance with the Decision taken by the Ministers in 1982, we have concluded a first round of consultations with a number of developed and developing contracting parties on how they have responded to the requirements of Part IV. The experience gained through this process, begun last year with consultations with the Nordic countries, Austria and Hungary, and pursued at this session of the Committee, with the EEC, United States, Japan and a group of



developing countries members of ALADI, has proved to be valuable in promoting a fuller understanding of trade policies and measures adopted in the light of Part IV, as well as of problems and difficulties still faced by developing countries in their trade.

"Consultations have touched upon many important issues which relate to major aspects and objectives of trade policies of individual contracting parties, including the promotion of economic efficiency and growth, the protection of essential domestic interests in specific areas of concern such as agriculture or particular industrial sectors, arrangements to promote regional integration, differential treatment in favour of developing countries including GSP, and trade liberalization efforts including amongst developing countries themselves.

"They have provided consulting countries with the possibility of presenting their overall approach to trade policies as they relate to developing countries and to describe how specific measures adopted by them respond to Part IV.

"The consultations are an opportunity to gain a better general appreciation of developed and developing country policies. They are also an opportunity to identify specific problems and specific possibilities for improvement in the spirit of Part IV. It has been understood that the Committee may revert to questions raised during the consultations in its future work.

"The consultations are an exercise in promoting better understanding of policies and measures of contracting parties and how they relate to the needs of both developed and developing contracting parties and the requirements of Part IV. To the extent that they permit a dialogue and cover the identification of specific areas for further action they should be regarded as a continuing process and contracting parties should be encouraged to consult on a periodic basis so that questions and issues that are dealt with can be adequately followed up by the Committee.

"These consultations should also serve as a vehicle to raise the consciousness of national administrations to the requirements of Part IV. In this respect it is my hope that contracting parties will continually keep in view the requirements of Part IV when formulating their national trade policies and measures. These consultations would have gone a long way towards meeting their objectives if we can achieve this.

"I therefore suggest that the Committee, in submitting its report to the CONTRACTING PARTIES in November this year, recommend that this process of consultations be maintained on a periodical basis as an integral part of the Committee's regular annual review of Part IV."

113. The representatives of a number of developing countries as well as some developed countries expressed support for the Chairman's concluding observations, in particular his proposal regarding the recommendation to be made to the CONTRACTING PARTIES in November this year that the process of consultations on a periodic basis should be established as an integral part of the Committee's review of the implementation of Part IV. The representative of one developing country observed that the developing countries would be within their rights, under the provision of

Article XXXVIII, paragraph 5, to ask for the continuation of the process of these consultations. In his view, the consultations might not only be periodic, but also organized on an ad hoc basis according to the requirements of the situation.

114. The representative of a developing country, while expressing support for the Chairman's summing up, observed that the scope of Part IV consultations with developing countries should be strictly limited to the provisions of Article XXXVII, paragraph 4, and the consultations should not in effect duplicate or overlap with their balance-of-payments consultations.

115. The representative of a developed country observed that Part IV consultations were a part of the package of Ministerial Decisions. In the view of his delegation, further action in the light of this Decision should be pursued side by side with the exercise on paragraph 5 of the Decisions on GATT Rules and Activities Relating to Developing Countries.

116. The representatives of Canada, Switzerland, Australia and New Zealand indicated the willingness of their Governments to consult with the Committee next year.

117. The representatives of a number of developed countries observed that while they did not have any objection in principle to the proposal made by the Chairman in regard to the continuation of the process of Part IV consultations, they considered that any decisions in regard to the institutionalization of this process, including the question of the periodicity of the consultations, should only be taken after the completion of a first round of consultations with contracting parties and in the light of the experience thus acquired.

118. The representatives of some developed countries observed that they would need to refer the Chairman's proposals in this regard to their capitals for further examination.