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RECENT DEVELOPMENTS RELATING TO TRADE INTERESTS OF LEAST-DEVELOPED COUNTRIES

Note by the Secretariat

1. This note reviews developments relating to the trade interests of least-developed countries and is meant to serve as a background document for the discussion of the Sub-Committee. Section I contains a summary of recent information on the trade position of least-developed countries, relating in particular to the evolution of trade, external trade and movements in export prices. In Section II are outlined a number of relevant developments in commercial policy. This is followed in Section III by a short outline of technical assistance activities in the secretariat in favour of least-developed countries.
2. Further information on GATT activities relevant to trade interests of developing countries, including the least-developed, is available in documents prepared by the secretariat relating to the implementation of Part IV of the General Agreement and of the provisions of the Enabling Clause. In particular, documents prepared for Part IV consultations and consultations on tropical products, documents of the Sub-Committee on Protective Measures, the GATT Council and other GATT committees and bodies.
3. Delegations might wish to provide the Sub-Committee with relevant additional information, particularly on commercial policy measures taken recently by their authorities or which are being prepared or contemplated.

SECTION I: Foreign Trade Payments¹

4. In 1983 the dollar value of exports from the least-developed countries, taken as a group, increased by some 2-3 per cent, while their imports were down by about 8 per cent. Export growth was weaker than in the other developing countries (where non-fuel exports were up by more than 7 per cent) and the value of imports decreased at a somewhat faster pace.
5. According to available (very preliminary) estimates, the trade performance of the least-developed countries was dismal in 1984, with - at best - stagnation in export earnings and a further decline in imports (perhaps as much as 20 per cent in value terms). Such results, if confirmed, would compare very unfavourably with trade developments in other developing countries in 1984, where exports (excluding fuels) grew by an estimated 15 per cent and imports declined only slightly.

¹Since the last meeting of the Sub-Committee, in October 1984, very few new statistics on the least-developed economies have become available. The information on recent developments contained in this Section is based on rough estimates and should be treated as very preliminary.

6. On the basis of the above preliminary estimates, it appears that, on average, the trade deficit of the least-developed countries was again reduced in 1984, apparently even more markedly than in the year before, when it declined by an estimated US\$1.5 billion to around US\$10 billion.

7. In those least-developed economies for which trade estimates exist for 1984, there are several cases of important cuts in the value of imports, while export growth was often quite high (Table 1). These estimates of individual countries' export growth in 1984 appear to contradict the reference in paragraph 5 above to stagnant export earnings for the least-developed countries as a group, but in fact they do not. The explanation is the great difference in export performance among least-developed countries.

8. As has been often noted, such disparities are due to several factors, including the relatively high degree of product concentration of exports, the heavy reliance on agricultural commodity exports (dependent on weather conditions which vary from one country to another), and/or on mineral exports which are sensitive to business conditions in industrial countries. An additional factor is the typical lack of geographic diversification of exports from the least-developed countries. (According to data for the late 1970s and early 1980s, over one-half of the exports of 25 out of 35 of those countries are destined to a single industrial area). This becomes an important consideration when, as in 1984, there are large differences in economic growth rates - and thus in import demand - among the industrial areas.

9. Among the other specific factors at work in 1984 was an extremely disruptive drought in some parts of Africa, a continent in which many least-developed countries are located, coupled with favourable weather conditions in other areas, with the consequent divergent export supply effects. A related factor in 1984 was the very different behaviour of prices of the main primary products exported by these countries, as shown in Table 2.

10. Though the external debt of most countries in this group is not large when compared to the amounts outstanding in other developing countries, and the proportion of concessional credits is very large,² financial problems are increasingly reported and explain the sharp reduction in imports in the last few years. In several countries in the group the situation has reached very serious proportions, as imports of a broad range of critical goods - productive inputs, food and investment goods - have been increasingly affected by foreign exchange shortages.

¹ See GATT Press Release of 14 March 1985 (GATT/1371). In the late 1970s/early 1980s, only 3 out of 36 least-developed countries sold more than one-third of their exports in the United States. The corresponding proportion for exports to the EEC was 19 out of 36.

² Concessional assistance accounts for about 90 per cent of total foreign debt in the least-developed countries, as a group, but for only one-third in the other developing countries.

TABLE 1. - FOREIGN TRADE OF THE LEAST-DEVELOPED COUNTRIES, 1973-1984^a
(Million dollars and percentages)

	Exports (f.o.b.)				Imports (c.i.f.)							
	1983 Million dollars	Average Annual Change			1983 Million dollars	Average annual change						
		1973 to 1980	1981	1982		1983	1984	1973 to 1980	1981	1982	1983	1984
ALL LEAST-DEVELOPED COUNTRIES	6,736	14	-6	-5½	2½	...	16,670	22	-2½	1	-8	...
Afghanistan	391	16	0	-10½	0	...	798	3½	-5½	-3½	½	...
Bangladesh	724	12	0	-3	-5½	(25)	2,308	17	1½	-9	-4½	(20)
Benin	85	7	-43	-9½	122	...	523	30	21½	4½	-41	...
Bhutan	...	...	...	...	...	...	...	...	...	...	...	...
Botswana	300	29	-18	(20)	(40)	(5)	980	22½	15½	(-15)	(7½)	(-10)
Burkina Faso	99	20	-19	11½	21	...	250	25	-6	-19	-8½	...
Burundi	77	11½	12½	22½	-12	(20)	205	28	-3½	33	-4½	(1)
Cape Verde	2	6	-23½	31	-55	...	84	12	4	1	17	...
Central African Republic	121	7	-18	13½	89	(5)	118	7	21	34	-10	...
Chad	185	19	4	-29	89	...	144	5	12½	-3½	8½	...
Comoros	10	2	-20	(-18½)	(-23)	...	28	17	3	(-29½)	(16½)	...
Djibouti	40	18	-27	-4½	28½	...	292	7	1	14½	-3½	...
Equatorial Guinea	30	35	5½	4	7½	...	24	17	-16	-10½	-47	...
Ethiopia	422	8	-7½	3	4½	...	850	19	2	6½	8½	...
Gambia	46	2½	-10	22	38	(-5)	108	27½	-25½	-6	-7	(-20)
Guinea	391	31	4	-6	-2½	...	279	26	1½	-15½	-11	...
Guinea Bissau	12	20	41½	-28	9	...	59	3½	-6	16½	-1½	...
Haiti	412	36	45½	14½	9½	(10)	620	34	66	-8½	15	...
Laos People's Democratic Rep.	26	25	-27½	44½	5½	...	96	12	-31	3	10	...
Lesotho	33	21	-2	(32)	(-50)	(30)	640	27	14½	(16½)	(3)	(-50)
Malawi	220	17	-6	-15	-6½	...	289	17	-20½	-16½	-1½	(-10)
Maldives	14	2	41	23½	5	...	64	37	110	78	-1	...
Mali	106	18½	-18	-30	14	...	343	19	-18	-5	4	...
Nepal	61	11½	16	-31	24	...	248	18	5½	15	-2½	...
Niger	311	37	-41½	-9	3½	...	361	31	-7½	-7½	-29	...
Rwanda	87	12	37½	-18½	5½	(8)	206	33	-8½	-5½	-2	...
Samoa	12	14	-35½	(25)	(30)	(15)	52	14½	6½	(-24)	(2)	(-10)
Sao Tome and Principe	12	9	-16½	(-32)	(-29)	...	10	13	0	(5½)	(-47)	(-5)
Sierra Leone	202	7½	15½	-32½	18	(0)	137	11½	-24½	-20	-32½	(-5)
Somalia	163	15½	5½	3	13	...	422	18	28	6½	-11	...
Sudan	684	3	21½	-5	9½	...	1,695	20	-1	29	-16	...
Togo	242	27	-38½	11½	5	(25)	566	28	-21½	25	4½	...
Uganda	354	6	-39	33½	-6	(0)	321	17	-28½	½	-10½	(-20)
United Rep. of Tanzania	457	6	13	-17	-4½	...	795	14	-2½	-14½	-22½	...
Yemen Arab Rep.	53	17	110	-2½	14	...	1,844	46	-5	22½	-14½	...
Yemen Democratic Rep.	352	24	-11	5½	-21½	...	911	39	-22	-24	-9½	...

^aData in this table are based primarily on partners' returns.

Sources: IMF, Direction of Trade, Yearbook 1984, and International Financial Statistics, April 1985; UN/UNCTAD, Handbook of International Trade and Development Statistics 1984.

TABLE 2. - PRICES OF MAIN PRIMARY COMMODITIES EXPORTED BY
LEAST-DEVELOPED COUNTRIES, 1980-1984

(Indices, 1975 = 100, and percentage changes)

	1980	1981	1982	1983	1983				1984				Percentage changes			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	1981 1980	1982 1981	1983 1982	1984Q3 1983Q3
Coffee	239	192	187	187	182	197	202	206	202	-19.5	-2.5	0	11.0			
Cocoa	192	152	126	157	166	168	191	194	177	-21.0	-17.0	24.5	6.6			
Tea	161	148	148	187	168	252	313	270	255	-8.0	0	39.0	51.8			
Sugar	139	84	42	42	51	42	34	30	22	-39.5	-50.0	0	-56.9			
Groundnuts	107	137	83	78	78	78	76	76	76	28.0	-39.5	-6.0	-2.6			
Groundnut oil	103	135	75	91	111	122	132	149	126	25.0	-44.5	21.5	13.5			
Cotton	156	144	121	135	141	143	144	145	131	-7.5	-16.0	11.5	-7.1			
Jute	108	108	100	93	92	102	112	112	140	0	-7.5	-7.0	52.2			
Sisal	120	103	92	89	89	88	90	93	92	-14.0	-10.5	-3.5	3.4			
Tobacco	137	155	176	179	181	176	172	174	181	13.0	13.5	1.5	0			

Source: UN, Monthly Bulletin of Statistics.

SECTION II: Developments in Commercial Policy(a) Follow-up on previous consultations

11. A notification has been received from the Government of Tanzania regarding recent actions related to requests addressed to the trading partners of Tanzania during the recent consultations in the Sub-Committee. As a result of an exchange of communications between the authorities of Norway and Tanzania steps are being taken to enable the latter to fulfil its quota on natural honey. It may be recalled that all imports into Norway from least-developed countries are duty-free. The notification also referred to certain improvements¹ in the GSP scheme which were being contemplated by the Government of Austria.

(b) Special tariff treatment in favour of the least-developed countries

12. In the last ten years a number of developed countries have provided special preferential tariff treatment in favour of the least-developed countries often in the framework of their GSP schemes. In this Section an attempt is made to take stock of the present situation and summarize other recent commercial policy developments. As at the end of 1984 ten countries and a major regional group of countries provided such special treatment: Austria, Bulgaria, Canada, Czechoslovakia, EEC, Finland, Hungary, Japan, Norway, Poland, Switzerland and the United States.

13. With the exception of Bulgaria all the above countries are contracting parties to the GATT. The actions taken by these countries have been mostly within the framework of their respective GSP schemes. That of Norway however is of a general nature and that of the United States is within the framework of Tokyo Round m.f.n. concessions.

14. Austria introduced its special tariff treatment for least-developed countries on 1 January 1982 under the Customs Preference Act 1982. Industrial products (CCCN Chapters 25-99) originating in least-developed countries enjoy, under the Act, duty-free treatment across the board except for textiles which are chargeable at 50 per cent of the applicable m.f.n. rates.

15. Imports from least-developed countries of agricultural products (CCCN Chapters 1-24) included in the Austrian GSP scheme enjoy duty-free treatment in most cases. In many other cases a substantially lower preferential rate is applied. In a few other cases however, least-developed countries are subject to ordinary GSP rates e.g., 06.01B ex 2 - flower tubers; 08.03 - figs; ex 08.05 - walnuts, edible chestnuts; ex 09.10D - other spices; 11.04 ex B - flour of bananas; 18.05 - cocoa powder unsweetened, etc.

¹These changes which were first reported in COM.TD/LLDC/W/17, para. 10 of 5 October 1984 and were made effective on 1 January 1985 are fully covered in paragraph 16 of this note.

16. As notified last year (COM.TD/LLDC/W/17 paragraph 10) the Austrian government has put into force as of 1 January 1985 the following improvements in its GSP scheme in favour of the least-developed countries:

- ex 09.04 - pepper of the genus piper, ground or otherwise crushed - 4 per cent (previously 9 per cent)
- ex 09.09.B1 - seeds of minse, fennel, coriander, cumin, caraway and juniper, ground or otherwise crushed - 2 per cent (previously 4 per cent)
- ex 09.10B - saffron, ground or otherwise crushed - 0 per cent (previously 4 per cent)
- ex 09.10C - ground or otherwise crushed - 4 per cent (previously 9 per cent)

17. With effect from 1 September 1984 duty-free treatment has been granted to imports of textile handicrafts originating in least-developed countries, which have¹ so far enjoyed a 50 per cent duty reduction. Under the Austrian handicraft¹ scheme the textile schedule covers twenty-six tariff headings. For the non-textile articles, duty-free treatment is provided for imports from all beneficiary countries.

18. In December 1982 legislation was passed by the Canadian Parliament to provide duty-free entry for all goods eligible for General Preferential Tariff when imported from least-developed countries. On 13 January 1983, Order in Council was passed designating thirty-one countries as least-developed. This list was increased to thirty-six by the addition of five other countries in 1984.

19. In June 1984 parliament approved legislation extending the Canadian Genral Preferential Tariff for a further ten years to 30 June 1994 and in August an Order in Council amended the rules of origin regulations of the Canadian GSP to allow for the implementation of global cumulative origin among beneficiary countries to meet the content requirements of the Canadian system of tariff preferences on imports from developing countries.

20. Under the GSP system of Czechoslovakia all imports from the least-developed countries are fully exempted from customs duties. By a Decree which entered into force on 10 May 1984 the number of beneficiaries which was then twenty-seven was increased to thirty-two. Countries on the UN list not covered by the Czechoslovakia scheme are Djibouti, Malawi, Equatorial Guinea and Somalia.

¹It might be recalled that handicraft products are defined by the Austrian law as products the major part of which is handmade; however, the use of machine-made raw materials for the production of handicraft goods is not generally excluded. When using machines or apparatus in the production, only products for which manpower is used as source of power can be classified as handicraft products. The use of other sources of energy, especially hydropower or electric energy, would preclude such classification. It should also be recalled that preferential tariff rates for handicrafts are applied only to imports from the developing countries which have concluded bilateral agreements with Austria to this effect. As of 1 August 1984 the least-developed countries that had concluded such an agreement were Afghanistan, Bangladesh, Malawi, Nepal and Rawanda.

21. Since 1981 the EEC has instituted special measures in their GSP scheme in favour of the least-developed countries. All industrial goods covered by the scheme including textiles are admitted duty-free without ceiling or quota. Similarly all agricultural product imports covered by the scheme are given duty-free treatment, with imports of tobacco and pineapple being subject to quota. In the GSP scheme for 1983 an addition of 370 products to the list of agricultural products for which least-developed countries could have duty-free access brought the list to over 700. Thus, least-developed countries receive, for practically all dutiable agricultural products not further protected by a levy or similar device, terms of access broadly equivalent to those of the ACP countries under the Lome Agreement.

22. GSP duty-free treatment for imports of jute and jute products, which had previously been accorded to imports originating in India, Bangladesh and Thailand has been extended to Nepal and other least-developed countries. Similarly, duty-free treatment for coir products imported from India and Sri Lanka has been extended to imports from least-developed countries.

23. The GSP scheme of Finland includes, since 1 January 1980, special treatment in favour of least-developed countries. Under this treatment certain products which are otherwise not granted GSP treatment are covered by GSP concessions when imported from least-developed countries. The products concerned are the following:

- ex 07.05 - other leguminous vegetables than peas and beans of a kind suitable for human consumption.
- ex 08.04 - grapes - fresh
- ex 09.01 - Coffee - unroasted
- ex 20.06 - prepared or preserved fruit mixtures and Brazilian nuts and cashew nuts - roasted
- ex 21.02 - coffee extracts
- 61.05 - handkerchiefs
- 97.02 - dolls
- ex 97.05 - carnival and entertainment articles

It may be recalled that under the Finnish GSP scheme goods eligible for GSP treatment enjoy total exemption from import duties and import levies as well as import quotas, ceilings or other quantitative restrictions.

24. Under its GSP scheme Hungary extends a general duty-free treatment to all products imported directly from least-developed countries. This measure which first came into effect on 1 January 1978 and affected twenty-six countries has been extended by subsequent legislation to cover all other least-developed countries.

25. Since 1980 imports into Japan of exports from least-developed countries have enjoyed special tariff treatment within the framework of the Japanese GSP scheme. This special treatment currently applies to thirty-four least-developed countries. By virtue of this, duty-free and ceiling-free tariff treatment has been given to these countries with respect to all products covered by the Japanese GSP scheme with only three exceptions. As at the end of 1984 the three exceptions were as follows:

		<u>GSP</u>	<u>LDC treatment (1984)</u>
15.15-2	beeswax	7.5% (under ceiling)	7.5% (under ceiling)
57.06	jute yarn	4% (under ceiling)	4% (under ceiling)
57.10	jute fabrics	8% (under ceiling)	0% (under ceiling)

26. With effect from 1 April 1985 ceiling limitations on duty-free treatment for least-developed countries with regard to woven fabrics of jute or of other textile coat fibres (CCCN 57.10), have been eliminated.

27. According to a communication¹ recently received by the secretariat, the government of New Zealand had announced on 24 December 1984 certain changes which are to be made to its GSP scheme effective from 1 July 1985. These changes are being made in the context of a wide-ranging programme of industry restructuring and liberalization of the country's import policy by the replacement of import licensing with a system based on the tariff.

28. The changes include the provision of duty-free access for all products for the thirty-six least-developed countries (as defined by the United Nations). According to the communication -

"...there is provision for limited exceptions to be made to this measure as part of the transitional adjustment process for the liberalization of New Zealand's import regime. Any exclusions will be very few in number and the final aim of this change is to make all tariff items duty-free for LLDCs. The New Zealand Government considers that this measure is a positive and necessary response to the invitation to all Contracting Parties at the 1982 Ministerial Meeting to: 'further improve GSP or m.f.n. treatment for products of particular export interest to least-developed countries, with the objective of providing fullest possible duty-free access to such products'."

It may also be recalled that the New Zealand GSP scheme has a provision for cumulative rules of origin and contains no specific safeguard mechanism.

29. Since 1978 all exports of least-developed countries into Norway enjoy duty-free access under the Norwegian GSP scheme regardless of whether they are covered by the positive or negative list applicable to other beneficiaries. No quantitative ceilings are attached to this duty-free treatment. The Norwegian GSP scheme also includes the principle of cumulative treatment regarding rules of origin. Imports are, however, not exempt from any general quantitative restrictions or import charges imposed by the Norwegian authorities.

30. The revised GSP scheme of Poland which entered into force on 1 January 1981 for a period of five years accords duty-free treatment to all exports from the least-developed countries.

¹L/4366 Add. 15.

31. Since July 1982 exports from the least-developed countries into Switzerland enjoy special tariff treatment within the framework of the GSP. Duty-free treatment is accorded to exports of industrial products for which other developing countries are granted only limited preferences namely: textiles and clothing (chapters 50-63 of the CCCN); footwear with outer soles of leather and composition leather, footwear (other than footwear falling within heading 64.01) with outer soles of rubber or artificial plastic material (CCCN 64.02); umbrellas (CCCN ex 66.01); unwrought aluminium (CCCN 76.01); and primary cells and batteries (CCCN 85.03). This means that now all the industrial products of chapters 25-99 are free of customs duties, with the sole exception of goods subject to fiscal duties (mineral fuels; CCCN headings 27.07, 27.09-11, ex 29.01, ex 29.04 and 37.07; films CCCN headings ex 38.14, ex 38.18, and ex 38.19; motor vehicles, engines and other components CCCN 87.02, 87.04 - 87.06 and ex 84.06).

32. In the agricultural sector duty-free treatment is accorded to forty-eight agricultural products of which twenty-four had not been part of the Swiss scheme of preferences. Among these agricultural products are groundnuts, cocoa powder and pineapples. Since 1 July 1983, all thirty-six least-developed countries enjoy the special tariff treatment.

33. As a special treatment in favour of least-developed countries, the United States, at the end of the Tokyo Round of Multilateral Trade Negotiations accorded these countries an advanced implementation of its tariff concessions as a result of which these countries enjoyed final Tokyo Round concessions on products on which other countries enjoyed only staged implementation of such concessions. The government of the United States has passed a law (Trade and Tariff Act of 1984) under which least-developed countries are exempted from the competitive need rule in its GSP scheme. The law extends the US GSP scheme until 4 July 1993 with some modifications.

SECTION III: Technical assistance to least-developed countries

34. The GATT secretariat has continued to provide technical assistance to least-developed countries, and has been giving special attention to their needs and requirements. The assistance has largely taken the form of meeting ad hoc requests of least-developed countries for data and information on trade flows, tariffs and non-tariff measures. Assistance has also been provided to least-developed countries in the context of various consultations, in particular consultations in the Sub-Committee on the Trade of Least-Developed Countries and Part IV consultations.