

GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Trade and Development
Fifty-fifth Session
22-23 April 1985

PROCEEDINGS OF THE FIFTY-FIFTH SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its Fifty-Fifth Session on 22 and 23 April 1985, under the Chairmanship of Mr. Mahmoud Abdel-Bari Hamza (Egypt).

2. The Committee adopted the provisional agenda outlined in airgram GATT/AIR/2124 and document COM.TD/W/428. Responding to a proposal by the Chairman, the Committee agreed to consider, under Any Other Matters, the subject of structural adjustment and the trade of the developing countries. It also noted that under Any Other Matters, the delegation of Norway, and the delegations of the United States and Switzerland intended to make statements, respectively, in regard to the Least-Developed Countries and Part IV Consultations.

Consultations and appropriate negotiations on tropical products

3. In addition to the documents in this regard made available at the earlier sessions of the Committee (Spec(83)55/Rev.1, Spec(84)27/Rev.1 and Corr.1, and COM.TD/W/409), the Committee had before it, in document COM.TD/W/424, an overview of the post-Tokyo Round work of the Committee on tropical products as well as a summary of the Committee's discussions on this subject at its last session, and document COM.TD/W/409/Add.1, containing information provided by one contracting party on the adoption of further liberalization measures in regard to certain tropical products, with effect from 1 April 1985.

4. Introducing the subject, the Chairman recalled that following the last round of consultations on tropical products, the Committee came to the view that the process of consultations had been carried as far as possible. Discussions held so far had however revealed a divergence of views among delegations as regards the meaning and significance of the concept of "appropriate negotiations" in the context of the Ministerial Decision. On the other hand, it was evident that many delegations attached considerable importance to the continuation of further work and achievement of further positive results in this sector, which had remained on the Committee's agenda since well before the Tokyo Round and which was treated as a "special and priority sector" during the Tokyo Round. He felt that discussions on this subject at the present session could perhaps focus on (i) any further responses from developed countries to requests and proposals that are still on the table, particularly where these responses had been expressly promised earlier, following fuller consideration of the requests in the capitals; and (ii) the proposal made at the last session of the Committee by Indonesia on behalf of the ASEAN countries on the downward alignment of tariffs on tropical products by all developed countries to the lowest prevailing levels.

5. The representative of one contracting party, referring to the adoption of further liberalization measures in regard to certain tropical products, observed that the measures which his country had taken in response to the relevant Ministerial Decision and the requests addressed to it in the various rounds of consultations on Tropical Products, without any demand or expectation of reciprocity, at considerable cost to domestic interests, represented the maximum possible effort on its part for the time being. The representative of another importing country referred to the fact that with effect from 15 March this year, the product coverage of their GSP scheme had been considerably enlarged, to include thirty-four new agricultural and thirteen new industrial products. The representative of yet another importing country also drew attention to the adoption by his government of duty-free treatment for all imports from the least-developed countries with effect from 1 July 1985. The representative of another importing country referred to the successive improvements in their GSP scheme in recent years. The representative of a group of importing countries referred in this regard to several improvements in their GSP scheme for 1985 which had been made in response to requests and proposals from exporting countries. He also referred to the recent successful conclusion of the negotiations on the renewal of the economic and trade cooperation agreement between this group of countries and a large number of developing countries of Africa, Caribbean and the Pacific regions, now sixty-six in number.

6. Representatives of several exporting countries stated that they were disappointed and concerned that some of the importing countries to whom requests were addressed during the various rounds of consultations had yet to respond to these requests, while responses by some others had remained extremely modest in their scope and potential trade effect. They further observed that they awaited responses from the importing countries to the proposal made by the representative of Indonesia on behalf of the ASEAN countries at the last session of the Committee regarding downward alignment of tariffs by importing countries to the lowest prevailing levels. They emphasized that this downward alignment of tariffs need not necessarily be realized at once, and could be achieved in a gradual, step-by-step, process.

7. The representative of a group of importing countries observed that the ASEAN countries deserved credit for presenting a concrete proposal which should be subject to careful consideration. The representative of another group of importing countries observed that the ASEAN proposal was rather sweeping in its implications. However, the spirit behind it, i.e., the need for better access to markets for tropical products, especially for countries which depended almost entirely on a limited range of tropical products, was fully worthy of consideration.

8. The representative of a group of importing countries observed that divergence of views in regard to the meaning of the concept of "appropriate negotiations" was a serious complicating factor in the situation. So long as there was no uniform interpretation of the concept, and divergence of views persisted, the scope for further overall progress was likely to remain limited. The representatives of some other importing countries observed that in their view the process of "negotiations" by definition implied give and take or exchange of concessions between participating countries. "Appropriate negotiations" must therefore involve undertaking of some trade liberalization measures by exporting developing countries in areas of interest to importing developed countries, in exchange for further

liberalization of access to markets for tropical products. This would fully accord with the provisions of paragraph 7 of the Enabling Clause. In the view of these representatives, such negotiated exchange of concessions could best be achieved in the broader framework of a general round of trade negotiations.

9. The representatives of some exporting countries observed that any negotiations between developed and developing countries could only take place in the framework and spirit of the provisions of the General Agreement and of the Enabling Clause in regard to non-reciprocity and differential and more favourable treatment of developing countries. Some of them, at least, had clearly indicated their readiness to enter into the process of negotiations in this framework, but importing countries had failed to respond positively to this initiative so far. They were concerned that further progress in this admittedly special and priority sector should be linked to the question of a new round. This would be completely contrary to the letter and spirit of the relevant parts of the Tokyo Declaration, the post-MTN work programme and the Ministerial Declaration.

10. In summing-up the discussion under this item, the Chairman noted that tropical products had been on the Committee's agenda for a long time, and despite the fact that some progress had been made in trade liberalization in this field, many delegations felt that there was considerable scope for further progress. These delegations had stressed the importance that their authorities attached to improved access to markets for exports of tropical products.

11. The Chairman further observed that there were several delegations who felt that more progress in the field of trade liberalization for tropical products was difficult in the absence of clarification of the meaning of "appropriate negotiations". Many of these delegations had also expressed the view that further progress could be made in regard to tropical products only if developing countries themselves were willing to participate in negotiations. However, several developing country representatives had observed, firstly, that the Ministerial Decision made it clear that further trade liberalization in the tropical products sector was not contingent upon a wider future process of negotiations, secondly, that any negotiations between developed and developing countries could only take place in the framework of the provisions of the General Agreement and the Enabling Clause in regard to non-reciprocity and differential and more-favourable treatment, and thirdly, that new unilateral initiatives in this field by developed countries could facilitate further discussions among all contracting parties of a possible new round of negotiations. In regard to the proposal by Indonesia on behalf of the ASEAN countries, the Chairman noted that one representative had suggested that the proposal could be addressed by examining the current tariff situation in the tropical products sector on a product-by-product basis in order to determine the height, spread and concentration of rates applied to particular products, and this suggestion had been endorsed by several representatives.

Prospects for increasing trade between developed and developing countries

12. The Chairman recalled that at the 38th session of the CONTRACTING PARTIES in November 1982, ministers instructed the Committee on Trade and Development to carry out "an examination of the prospects for increasing trade between developed and developing countries and the possibilities in

GATT for facilitating this objective". He noted that the Committee had an exchange of views on this subject at its fifty-second and fifty-fourth sessions in June 1984 and November 1984 respectively, based on background material prepared by the secretariat in document COM.TD/W/412 and Add.1. This document remained before the Committee for the present session.

13. Referring to the subject matter of the secretariat document, a number of representatives noted that there had been a considerable increase in trade in 1984 and that the overall economic situation looked more encouraging than it had a year or two ago. They observed, however, that trade expansion had not benefited all countries to the same degree. In this regard, there was a need for further efforts by developed and developing countries alike to spread the beneficial effects of the recovery more evenly and also to ensure that the gains already made could be further built upon. One representative referred to the measures that his country had recently taken in order to open up the economy to imports, and pointed to this initiative as an example of the kind of action which needed to be taken.

14. Several representatives expressed the view that the best way of increasing trade between developed and developing countries, as well as international trade more generally, was in the context of a new round of multilateral trade negotiations. According to this view, the launching of a new round represented the most promising avenue for addressing the current trade and commercial policy situation, which appeared to satisfy nobody, and also for exploring new modalities for liberalizing trade. One representative further observed that it was easier to resist protectionist pressures at a time when trade negotiations were taking place and this could be an important factor at the present time, when protectionist pressures were strong. Certain delegations also said that it was important that any new round of negotiations should address the interests of all parties concerned and not only those of the large trading countries. In this connection, it was suggested that the Committee on Trade and Development could have a useful role to play.

15. Most of those delegations supporting the idea of a new round of multilateral trade negotiations emphasized their view that any negotiating process would require the participation of all contracting parties. This implied that the developing countries should participate in joint efforts to stimulate further trade liberalization and contribute to a stable and open trading environment. Without participation from developing countries, it was difficult to see how much progress could be made in areas of interest to these countries.

16. Several delegations expressed reservations about the link which was being made by certain contracting parties between a new round of negotiations and the present work of the Committee. They observed that there was no certainty with respect to when or in what context a new round of negotiations might take place, but that the Committee had a clear mandate and a number of agenda items before it for consideration. They also observed that many of the items before the Committee were issues of long-standing and should be addressed independently of the question of a new negotiating round. In regard to the secretariat study, a number of representatives suggested that the secretariat update certain parts of the document to reflect recent developments in trade. Others suggested that the Committee consider more closely some of the suggestions put forward in

the secretariat paper for ways of expanding trade between developed and developing countries, in particular those contained in paragraphs 203 to 205 of document COM.TD/W/412.

17. Several representatives referred to earlier interventions in which it had been stated that in accordance with paragraphs 5 and 7 of the Enabling Clause, developing countries were also expected to make contributions in the context of negotiations. They noted that paragraph 5 of the Enabling Clause did not require reciprocity, but on the contrary spoke of the principle of non-reciprocity. Moreover, the language in paragraph 7 made it clear that contributions by developing countries were to be conditional upon the development of their economies and their trade. In order for such development to be assured it was important that the developed countries take action to open up their markets without expecting reciprocity from the developing countries.

18. In summing-up the discussion on this agenda item, the Chairman noted that some representatives had expressed the view that the most effective way of promoting an expansion of trade between developed and developing countries was in the context of a new round of trade negotiations. He remarked that some delegations supporting the idea of a new round had emphasized the need to ensure that the interests of all the parties involved were adequately accommodated. The Chairman noted that, on the other hand, several representatives expressed doubts about the timeliness and appropriateness of discussing a possible new round of negotiations in the Committee, since discussions under this agenda item had raised a number of issues of a long standing nature and had highlighted a number of concerns and considerations that needed to be examined before any convergence of views on a new round of trade negotiations could be achieved. He also noted that some of these representatives had emphasized the need to ensure that any possible negotiations between developed and developing countries took place in the framework and spirit of relevant GATT provisions concerning non-reciprocity and special and differential treatment for developing countries.

19. The Chairman expressed his view that consideration of the issues raised under this agenda item should constitute a priority task of the Committee at its present stage of work. He supported the observation made by certain representatives that the secretariat document, particularly in its paragraphs 203-205, raised important specific questions that deserved careful consideration by members of the Committee, and therefore suggested that this matter be taken up again at a future meeting.

Tariff escalation

20. The Chairman observed that at the 40th session of the CONTRACTING PARTIES, in November 1984, the Committee on Trade and Development was requested to examine questions relating to tariff escalation and the trade of developing countries (L/5755/Rev.1). The Committee had before it as background information, in document COM.TD/W/425, a factual account of work undertaken in the GATT on tariff escalation since the Tokyo Round.

21. The Chairman recalled that tariff escalation was a subject of long-standing in relation to the work of the Committee. Before and during the Tokyo Round the problems that escalating tariffs created for developing countries seeking improved access for goods at higher stages of processing

had often been addressed in the more general discussions on tropical products. As indicated in document COM.TD/W/425, the post-Tokyo Round work in the area of tariff escalation had taken place both in the Committee on Trade and Development and in the Committee on Tariff Concessions. Some delegations had observed that this work had highlighted the difficulties associated with identifying and measuring tariff escalation. It had also been noted that the "harmonization" element in the Tokyo Round tariff cuts had been useful in reducing the incidence of tariff escalation in certain product sectors. The Chairman observed that on the other hand, the re-emergence of this subject on the Committee's agenda was a clear indication of the concern still felt by individual contracting parties in regard to the effects of tariff escalation on their export prospects.

22. One representative, supported by several others, noted that although successive rounds of trade negotiations had mitigated the problem of tariff escalation, it still created significant difficulties for developing countries in particular sectors, including agriculture, textiles, footwear, tropical products and certain natural resource products. This representative proposed that the secretariat prepare a paper which examined the possible application of a proportional tariff cutting formula. Under this proposal, such a formula would result in higher tariff reductions for those items where tariffs and embodied value added were high and correspondingly lower tariff reductions for items embodying lower value added or carrying lower tariffs. This proposal was supported by a number of representatives.

23. Certain representatives noted that tariff escalation was intrinsic to any tariff schedule designed to perform a protective as opposed to a revenue function. For this reason, tariff escalation occurred in all countries. In the view of one representative, tariff escalation presented a more serious obstacle to access in developing country markets than in developed country markets. Part of the reason for this was that successive rounds of tariff negotiations had lowered tariffs significantly in developed countries and the effects of the generalised system of preferences had also helped to reduce the spread of tariffs facing developing country exports. Some representatives expressed the view that any exercise which addressed the problem of tariff escalation should be concerned with the trade of both developed and developing countries, which they said was envisaged in the decision of the CONTRACTING PARTIES. One representative said that the most effective way of addressing the problem of tariff escalation was through multilateral negotiations, as had been proven by experience. He suggested that the Committee identify sectors in both developed and developing countries where high tariffs on semi-manufactured and finished manufactured goods were creating difficulties of access, and added that such an exercise would be of assistance in preparing for negotiations. Many other representatives expressed the view that the Committee on Trade and Development was not the appropriate forum for addressing questions concerning tariff escalation in any context wider than that of the effects of escalating tariffs on the exports of developing countries. According to this view, the essential function of the Committee on Trade and Development was to protect and promote the interests of developing countries in relation to the international trading system. The interests of other countries in regard to tariff escalation, and wider questions concerning this issue, would be more appropriately taken up in the Committee on Tariff Concessions.

24. In summing up the discussion on tariff escalation, the Chairman observed that many delegations had expressed concern at the manner in which tariff escalation had hindered the expansion and diversification of exports of developing countries, and they had also noted that although the degree of escalation had been reduced over the years in some sectors, there was still a problem in respect of certain product processing chains. The Chairman drew the attention of the Committee to a proposal by one representative, which had received support from some Committee members, that the secretariat seek to identify certain product sectors where attention might be paid to reducing, on the basis of a formula to be established, high tariff levels affecting high value-added exports of developing countries.

25. The Chairman remarked that certain representatives held the view that since tariff escalation was a feature of the tariff structure of all countries, it followed that it would be most appropriate to examine the incidence of tariff escalation in both developed and developing countries. He also recalled that one representative had said that such an examination could provide useful information in the context of preparations for a new round of multilateral trade negotiations. The Chairman observed that several other delegations had responded by indicating that work on tariff escalation was proceeding in other GATT bodies, and had also expressed the view that the nature and mandate of the Committee on Trade and Development made it most appropriate for the Committee to focus on the extent to which tariff escalation inhibited the exports of developing countries.

26. In the light of the above discussions and proposals, the Chairman suggested that the Committee hold informal consultations on this matter before taking it up again at a future session.

Any other matters

Structural adjustment

27. Introducing the subject, in accordance with the understanding reached at the beginning of the session, the Chairman recalled that the Working Party on Structural Adjustment was mandated to analyse the relevance of the General Agreement, including its Part IV, to the process of structural adjustment, and to seek a clearer understanding of the relationship between developments in trade and changes in production structures. In the course of the Working Party's deliberations, an exchange of information took place on the experience of individual contracting parties in the field of structural adjustment, and an overall analysis was made of these experiences. There was widespread agreement among contracting parties that the exercise undertaken by the Working Party had led to a better understanding of the adjustment process in general and the role played by government policies in influencing the interaction between structural adjustment and international trade. There was a generally shared recognition arising from the deliberations of the Working Party that an open trading system, and by implication any moves in favour of trade liberalization, were central in facilitating structural adjustment and in promoting sustained non-inflationary economic growth and development. These conclusions emphasized the importance for all trading nations of ensuring strict adherence to GATT rules and of supporting and improving the GATT trading system, including in relation to the objectives and provisions of Part IV.

28. The Chairman further recalled that at the Forty-Eighth Session of the CONTRACTING PARTIES "the Council had agreed to adopt the Report of the Working Party on Structural Adjustment (L/5568), together with the recommendation contained in paragraph 47 asking relevant GATT bodies to take into account the insights gained and the conclusions reached in the Working Party (L/5757/Rev.1)". In the course of the work of the Working Party, mention was made of matters related to the activities of the Committee on Trade and Development. The Committee's terms of reference covered "work on structural adjustment and trade of developing countries" and past activities of the Committee indicated that its role in the structural adjustment area was of a continuing nature. He felt that in the light of the importance attached by many contracting parties to this work, and in particular to the conclusions of the Working Party, delegations might wish to consider at this session, in compliance with the Council's decision referred to by him earlier, the manner in which the conclusions drawn by the Working Party could be reflected in the work of the Committee on Trade and Development. In particular, the Committee might wish to consider its own role in any future work in this area, including in relation to the monitoring of progress made in the adoption of policies which facilitated structural adjustment.

29. The representative of one contracting party observed that the CONTRACTING PARTIES, while adopting the report of the Working Party, had not taken any decision on the question of future work in this area. The question was now before the Council. There was a wide divergence of views among contracting parties on this question, which would need to be reconciled. Deliberations on this question in the Committee would tend to pre-empt the role of the Council.

30. The representatives of a number of other countries referred to the role and responsibilities that the Committee had in this context, and emphasised that discussions on this subject in the Committee could in no way pre-empt or prejudice the work of the Council. They expressed support for the continuation of the work in this important area in a Working Party. Some of them referred in this context, to their support for the proposal by Canada.

31. In summing up, the Chairman said that there was a close relationship between structural adjustment and trade liberalization, and that the Committee on Trade and Development had a clear and continuing mandate to consider issues relating to structural adjustment as these affect the trade of developing countries. He drew the attention of the Committee to the provisions of Article XXXVII:3(b), which included references to issues relating to structural adjustment. The Chairman also said that the Committee had taken note of the relevant decision of the Council and would revert to the matter as appropriate at a future session.

Least-developed countries

32. The representative of Norway recalled that the Report of the Committee on Trade and Development to the CONTRACTING PARTIES at their last session (L/5735) had contained a number of proposals regarding the types of measures which could be taken in the field of trade to promote the trade interests of the least-developed countries. The proposals had met with positive response from several delegations. Accordingly, they hoped that delegations would be able to focus attention on these proposals at the forthcoming meetings of the Committee and the Sub-Committee on the Trade of the Least-Developed Countries.

Part IV consultations

33. The representative of one member country expressed the appreciation of his authorities to the delegations of the ALADI countries for having submitted additional information (COM.TD/W/432) in response to some queries that were raised in the course of their Part IV Consultations. The representative of another member country remarked that replies to questions asked from a number of other countries in the course of their Part IV Consultations were still awaited.

34. The representative of another member country expressed disappointment that no developing country or group of developing countries had agreed to consult this year and remarked that the continued willingness of her government to co-operate in this exercise was dependent upon developing countries also consulting with the Committee. If no more developing countries came forward for this purpose, her government would have to take a serious look at the nature of their future participation in this exercise.

35. The representative of a developing country stated that while they were unable to consult this year, for compelling reasons, their authorities would consider the question positively for 1986. He emphasized, however, that Part IV of the General Agreement was designed and geared to the expansion of the exports of developing countries to the markets of the developed countries, and therefore Part IV Consultations should be conducted in the spirit of the provisions of Part IV. The representative of another developing country remarked that developing countries had by no means declined to consult, and as far as he was aware informal consultations on this question were still going on.

Election of office bearers

36. In the light of his informal consultations with delegations on this matter, the Chairman proposed that H.E. Ambassador M. Huslid (Norway) be re-appointed Chairman of the Sub-Committee on Trade of Least-Developed Countries and Mr. G. Ferreira Martins (Brazil) be appointed Chairman of the Sub-Committee on Protective Measures. The Committee approved the proposed appointments.

Chairman's concluding remarks

37. The Chairman expressed the hope that with the cooperation of delegations the Committee on Trade and Development would not merely remain a debating forum but would make a positive and concrete contribution in advancing the objectives which had been set forth in Part IV and which constituted the core of the Committee's responsibilities.

Next meeting of the Committee

38. The Chairman stated that at its next session, the Committee would undertake consultations in regard to the application of the provisions of Part IV with Canada and Switzerland. The dates for this meeting had been tentatively set as 25 and 26 June 1985, and would be confirmed shortly in consultation with delegations.