

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/LLDC/W/27

25 July 1985

Limited Distribution

Sub-Committee on Trade of
Least-Developed Countries

PROPOSALS FOR ACTION IN FAVOUR OF THE
LEAST-DEVELOPED COUNTRIES

Note by the secretariat

In the Ministerial Declaration adopted on 29 November 1982 CONTRACTING PARTIES had decided, inter alia, to "urge contracting parties to work towards further improvement of GSP or MFN treatment for products of particular export interest to least-developed countries, and the elimination or reduction of non-tariff measures affecting such products". In paragraph 3 of the Annex to the Declaration, CONTRACTING PARTIES had outlined the following guidelines on how to pursue actions towards facilitating trade of least-developed countries and reducing tariff and non-tariff obstacles to their exports:

- (a) 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;
- (b) use, upon request and where feasible, of more flexible requirements for rules of origin for products of particular export interest to least-developed countries;
- (c) eliminate or reduce non-tariff measures affecting products of particular export interest to least-developed countries;
- (d) facilitate the participation of least-developed countries in MTN Agreements and Arrangements;
- (e) strengthen the technical assistance facilities of the GATT secretariat targeted to the special requirements of least-developed countries;
- (f) strengthen trade promotion activities, through the ITC and other initiatives, such as by encouraging the establishment of import promotion offices in importing countries;
- (g) give more emphasis to the discussion and examination of policy issues of interest to least-developed countries in the context of further efforts to liberalize trade.

At the Sixth Meeting of the Sub-Committee in October 1984, the Chairman outlined in his summary of the proceedings a number of proposals based on the guidelines, including his own, which had been made in the course of the meeting (COM.TD/LLDC/7, paragraph 74).

At its Seventh Meeting on 24 June 1985, the Sub-Committee held preliminary discussions on the proposals, which are summarized in

COM.TD/LLDC/8. It requested the secretariat to prepare a note with annotations on the proposals. The following information, including a brief description of actions already taken by developed countries, has been prepared in response to this request.

Proposal (i)

Countries which have not yet given special treatment to the least-developed countries within their GSP schemes should do so on a complete duty-free and quota-free¹ basis for all products of export interest to them.

The countries according least-developed countries special tariff treatment within their GSP schemes include the following: Austria (since 1982), Canada (since 1983), Czechoslovakia (since 1978), EEC (since 1979), Hungary (since 1978), Finland (since 1980), Japan (since 1980), New Zealand (since July 1985), Norway (since 1976), Poland (since 1981) and Switzerland (since 1982).

Proposal (ii)

Those contracting parties already according special status to the least-developed countries with certain exceptions and limitations especially on textiles, jute and a number of agricultural products remove such exceptions and limitations and grant duty- and quota-free access.

Czechoslovakia, Hungary, Norway and Poland grant imports of all products from least-developed countries a complete duty-free and quota-free treatment without any exceptions or limitations. Special tariff treatment accorded by other countries and markets are summarized below.

Austria

For industrial products falling within CCCN Chapters 25-99, least-developed countries are accorded duty-free treatment across the board, with the exception of textiles falling within CCCN Chapters 50 to 62 and 65 for which one-half of m.f.n. rates are applied. With respect to the tariff items falling within CCCN Chapters 1 to 24 included in the positive list of GSP items, duty-free tariff treatment is accorded in most instances, and in many other cases a substantial reduction of the preferential rate of duty is provided. In a limited number of cases least-developed countries are subject to ordinary GSP rates.

Canada

Duty-free and quota-free treatment is granted on all products covered by the Canadian GSP scheme.

¹ Duty-free access without quantitative limitations by way of tariff quotas etc.

EEC

With respect to agricultural products, least-developed countries enjoy duty-free and quota-free tariff treatment not only on GSP items but also on a large number of additional items identified for special treatment. Since 1983 the number of such additional items has been significantly increased. With respect to industrial products, including textiles, quantitative limitations for GSP duty-free treatment do not apply to least-developed countries. This means that these countries are in a position to enjoy duty-free treatment without quantitative limitations on the industrial products covered by the EEC GSP scheme.

Finland

Least-developed countries are accorded duty-free and quota-free treatment with respect to all products covered by the Finnish GSP scheme plus some ten non-GSP items including unroasted coffee.

Japan

Least-developed countries are accorded duty-free and quota-free treatment with respect to all products covered by the Japanese GSP scheme with some exceptions. In 1984 and 1985 Japan removed three of the six remaining exceptions, i.e. (i) jute fabrics, (ii) twine, cordage and ropes of cotton, jute, abaca, etc., and (iii) sacks and bags for packing including jute sacks and bags.

New Zealand

Since 1 July 1985 least-developed countries have been accorded duty-free and quota-free treatment with respect to all products with some exceptions. Information on the exceptions has not yet been made available.

Switzerland

Least-developed countries have been granted duty-free and quota-free treatment with respect to all industrial products covered by the Swiss GSP i.e. all industrial products except items subject to revenue duties. In addition, duty-free treatment is granted on forty-eight agricultural products including twenty-four non-GSP items.

Proposal (iii)

All measures such as competitive-need criteria which might erode the full value of GSP schemes be waived in favour of the least-developed countries.

Under the Trade and Tariff Act of 1984 which entered into force on 3 January 1985, the United States has exempted least-developed countries from the competitive-need limits for the application of the US GSP scheme.

Proposal (iv)

Where necessary simple duty- and quota-free system of imports of handmade products from the least-developed countries be established by developed contracting parties.

Australia, Austria, Canada, EEC and New Zealand accord imports of certain handmade products special tariff treatment under their handmade products scheme. The United States applies special concessional duties (m.f.n. and GSP) on imports of specified hand-loomed and folklore products. Information on special tariff treatment for handmade products is available in background documents prepared by the secretariat for the Part IV consultations with the above-mentioned countries or markets.

Proposal (v)

Priority should be given to the least-developed countries in the provision of technical assistance at both national and international levels with regard to quality, technical standards and phytosanitary requirements.

This proposal appears to draw attention to provisions already incorporated in certain NTM agreements. Article II of the Agreement on Technical Barriers to Trade contains various provisions concerning the technical assistance which contracting parties could give other parties, especially the developing countries. In paragraph 8 of this Article it is stated that in providing advice and technical assistance to other parties in terms of Article II, paragraphs 1 to 7, parties shall give priority to the needs of the least-developed countries.

Various forms of technical assistance are offered by signatories to the Agreement from which the least-developed countries can benefit. They include seminars, workshops and training courses on standardization and related fields (quality control, metrology certification), preparation of documentation, provision of information on standards and quality control requirements, help in the setting-up and development of standards, structure and product certification systems etc.

Paragraphs 11 and 12 of Article III of the Agreement on Government Procurement contain provisions for special treatment for least-developed countries. Paragraph 12 in particular stipulates that: Developed country parties shall, upon request, provide assistance which they may deem appropriate to potential tenderers in the least-developed countries in submitting their tenders and selecting the products which are likely to be of interest to entities of developed countries as well as to suppliers in the least-developed countries and likewise assist them to comply with technical regulations and standards relating to products which are the subject of the proposed purchase.

Canada, EEC and the United States have legislative provisions extending the benefits of the agreement to the least-developed countries. Most other developed countries do so on a de facto basis. Many developed countries have declared their readiness to consider requests for technical assistance in the framework of the agreement, from least-developed countries.

Proposal (vi)

Exemption of least-developed countries from quantitative restrictions and other non-tariff measures falling outside the scope of MTN Agreements should be considered.

Paragraph 2(b) of the Enabling Clause provides for differential and more favourable treatment for developing countries in regard to the Tokyo Round MTN agreements and arrangements. Paragraph 2(d) provides for special treatment for least-developed countries in the context of any general or specific measures in favour of developing countries. There is not, however, any specific provision in the Enabling Clause for the selective exception of any country or group of countries from non-tariff measures not covered by the MTN agreements. On the other hand, footnote 2 to paragraph 2 of the Enabling Clause provides that the CONTRACTING PARTIES may consider on an ad hoc basis under the GATT provisions for joint action any proposals for differential and more favourable treatment not falling within the scope of paragraph 2.

Proposal (vii)

With regard to the application of rules of origin relating to GSP and LDC treatment the following possibilities could be considered: (a) simplification of rules of origin in favour of least-developed countries, (b) adoption of liberal cumulative origin rules in favour of least-developed countries and (c) a generally more liberal and differential application of rules of origin in favour of least-developed countries.

Australia, Canada and New Zealand allow cumulative origin globally among all GSP beneficiaries including least-developed countries. Canada uses the value-added criterion to determine the origin of goods. The minimum value addition required is 40 per cent of the ex-factory value for least-developed countries, as compared with 60 per cent for GSP beneficiaries.