

GENERAL AGREEMENT ON TARIFFS AND TRADE

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PROCEEDINGS OF THE FIFTY-SIXTH SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its Fifty-Sixth Session on 25 and 26 June 1985 in Geneva, Switzerland, under the chairmanship of Mr. Mahmoud Abdel-Bari Hamza (Egypt).

2. At this session the Committee continued its programme of consultations in accordance with the decision taken at the November 1982 Session of the Committee on Trade and Development, which called for consultations to examine how individual contracting parties have responded to the requirements of Part IV of the General Agreement. Consultations were held with Canada and Switzerland. The Committee had before it background information provided by Canada (COM.TD/W/430) and Switzerland (COM.TD/W/431) as well as by the secretariat (document COM.TD/W/426 and Add.1 for Canada and document COM.TD/W/427 and Add.1 for Switzerland).

3. In his opening statement, the Chairman proposed that in accordance with the agreement reached at the March 1983 Session of the Committee, discussions cover the following general points:

- (a) an overall review of developments in the consulting countries' trade flows and factors affecting such trade;
- (b) an examination of how the consulting countries' 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 countries 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 Canada.

Consultations with Canada

4. In her introductory remarks, the representative of Canada underlined the importance attached by her country to the Part IV consultations and welcomed the opportunity provided by this consultation to discuss Canadian policies in relation to trade with developing countries, and to respond to any requests for further information in regard to those policies. She stated that the Canadian view of Part IV of the General Agreement should be set against the background of the Canadian commitment to economic

development, and the recognition of the key role which trade could play in this process. As a result of Canada's own experience as a natural resource producer seeking to develop its industrial structure and to enhance its manufacturing sector in the context of a small domestic market, the country was fully aware of the vital rôle that trade could play in its own as well as other countries' economic development. Canada was committed to the provisions of the General Agreement and the Enabling Clause, which recognized the special links between trade and development and the principle of preferential treatment for developing countries as a means for enhancing these links. Canada was seeking to ensure that these provisions and principles were applied in a manner which fully took into account the development situation of contracting parties, in order to ensure maximum economic benefits.

5. The representative of Canada noted that her country's trade with developing countries had increased at 15.6 per cent per year on average over the period 1970 to 1983, from \$2.65 billion to \$17.45 billion, and that the share of developing countries in Canadian imports had increased from 8.5 per cent in 1970 to 14.1 per cent in 1981. While the latter share declined to 11.1 per cent in 1983, 1984 trade figures showed an increase in value terms of 23 per cent over the previous year, that is from \$8.5 billion to \$10.5 billion worth of imports in 1984 from developing countries, with miscellaneous manufactured articles, machinery and transport equipment showing the most vigorous growth.

6. Referring to the Canadian Generalized System of Tariff Preferences, the representative of Canada emphasized that the system had contributed to improving levels of exports of manufactured and semi-manufactured industrial products of developing countries to Canada. As a result of improvements introduced in the scheme, the actual level of imports under GSP treatment had increased from \$256 million to \$1.2 billion over the first ten years of its history. In addition to the establishment of preferential treatment for manufactured and semi-manufactured products, the Canadian GPT scheme included a selected list of agricultural products of export interest to developing countries. This list was broadened in 1977 as a result of MTN decisions, with lower than formula rates made applicable to a wide range of agricultural products. The basis for the GPT rules of origin was the percentage criterion, which ensured transparency in the rules. In the case of goods manufactured in a developing country using imported parts and materials, the goods may contain up to 40 per cent foreign material content and, in the case of least-developed countries, the percentage of foreign content allowed was 60 per cent. In 1984, legislation was passed by the Canadian Parliament specifying that parts and materials originating in other eligible developing countries (or Canada) were not considered to be "Foreign" for the purposes of the Canadian GPT rules of origin. Since the inception of the GPT in 1974, the average rate of utilization of the special preferences by developing countries had been around 74 per cent.

7. While the Canadian authorities foresaw potential for significantly higher levels of trade with developing countries, in their view this growth would be most effectively assured through contributions by both developed and developing countries, consistent with their respective levels of economic development, to the balance of rights and obligations necessary to maintain the vitality of the multilateral trading system. Although Canada was fully committed to the principles and undertakings of Part IV, its

experience in recent years had pointed increasingly to the greater relevance of contractually binding obligations. For this reason, Canada would continue to attach importance to improving and strengthening the legal basis for the conduct of its trade relations with developing countries.

8. The representative of Canada expressed the view that the continued vitality of the multilateral system and the protection of the interests of all contracting parties, large and small, developed and developing, could best be pursued through a new round of trade negotiations. Canada attached great importance to a new round and to the participation of developing countries in a preparatory process to that end. It already appeared that there were a number of issues where Canada shared the stated interests of developing countries in improving the international trade rules. These included trade in resource and agricultural products, enhanced disciplines in the use of countervailing, anti-dumping and emergency safeguard measures, and further strengthening of GATT dispute settlement procedures. The Canadian representative said that her authorities saw continuing progress on the GATT Work Programme as a part of this preparatory process for a new round of trade negotiations, by which all issues would be placed on the table and allowed to mature to the point required for resolution of differences.

9. The representative of Canada also referred to the recent Budget which included in its provisions changes to the General Preferential Tariff. The latter changes provided duty-free entry for the following products: timber, lumber and mouldings of wood (Tariff item 50075-1) previously dutiable at 5 per cent GPT; field hockey sticks (new Tariff item 50603-2) previously classified under item 50603-1 at 2.5 per cent GPT; and hand-rolled cigars (new item 14310-1) previously classified under item 14305-1 at a GPT rate of 96.67¢ per pound plus 6.5 per cent duty. The first three changes were in response to requests by Brazil, India and Jamaica in the tropical products consultations. The decision concerning hand-rolled cigars also took into account separate representations from Cuba. The Budget further proposed that the GPT rates on autos and auto parts would be the MFN rate less one-third, effective 24 May 1985 for parts, and 1 January 1987 for autos. The later effective date for the tariff changes on autos was intended to give automotive producers from developing countries an opportunity to adjust to this change.

10. The representatives of a number of developing countries welcomed the opportunity to participate in Part IV consultations with Canada. These delegations expressed their appreciation for the background information provided by Canada, as well as by the secretariat.

11. Many representatives expressed appreciation for the general and specific measures taken by Canada in order to improve access to its market for products of interest to developing countries. In this connection, particular reference was made to the recent tariff cuts referred to in the Canadian representative's opening statement. At the same time, however, several delegations observed that the share of developing country exports in total Canadian imports was rather low, and appealed to Canada to seek means by which this share could be increased. The Canadian representative noted that although in the last few years there had been a fall in imports, this was the result of the worldwide economic recession. A longer-term view of the trend in developing country exports to Canada showed a gradually increasing share in the country's total imports.

12. The representative of one developing country expressed the view that Canada's tariff system was excessively complicated. Not only were there five kinds of tariff treatment for imports depending on their source, but the nomenclature was complex and it was difficult to identify the appropriate tariff heading for certain items. The representative of Canada noted that his authorities were considering the possibility of adopting the harmonized system of nomenclature. In this case the tariff nomenclature would be standardized and the current difficulties should disappear.

13. A number of representatives noted that Canadian tariffs were relatively high on certain products, including in the textiles, clothing and agricultural sectors, and also that Canada's average m.f.n. tariff was higher than that of most other developed countries. These representatives requested that Canada consider reducing further some of its higher tariffs. In addition, certain representatives expressed concern about the existence of tariff escalation in the Canadian tariff structure, particularly with respect to textiles, leather and footwear. The Canadian representative noted that a certain degree of tariff escalation was intrinsic to any tariff structure, but noted that Canada's GSP scheme helped to reduce both tariff escalation and the level of certain individual tariffs.

14. Referring to Canada's GSP system, many delegations expressed satisfaction with the improvements that had been made to the scheme over the years but felt that there was still room for further improvement. Some of these representatives stated that the scheme remained complicated in certain respects and that product coverage could be improved, including in relation to textiles and clothing, footwear, light industrial products and food industry products. Many representatives expressed their concern at the provisions contained in the Customs Tariff Act which allowed for the introduction of tariff quotas under the GSP. In response to the remarks made about GSP coverage, the Canadian representative assured the Committee that his authorities had done their utmost to maximize the coverage of the preference scheme and had been gradually introducing improvements over time. Requests from supplying countries for modifications in the GSP scheme were taken into account in the relevant review procedures. As far as the legislative authority for tariff quotas under GSP was concerned, the representative of Canada noted that this provision had never been used but that it was indispensable to ensure adequate flexibility for the scheme. Without this safeguard provision, it would not be possible for the product coverage of the preference scheme to be as wide as it was at present.

15. The representative of one developing country expressed his concern at the fact that those countries entitled to British preferential tariffs enjoyed simpler and more lenient rules of origin than those countries benefitting only from GSP. This representative questioned the legal coverage of the former rules of origin. The representative of Canada explained that the rules of origin associated with Commonwealth preferences pre-dated Canada's accession to the GATT and were covered by Canada's provisional protocol of application, whereas the GSP rules of origin were introduced in 1974.

16. Many representatives referred to remaining non-tariff measures affecting Canadian imports, in particular quantitative restrictions in the textiles and clothing, footwear and agricultural sectors. These representatives appealed to Canada to consider the possibility of removing remaining quantitative restrictions. The representative of Canada took

note of these requests, and also pointed out that Canada's quantitative restrictions were in conformity with the relevant legal provisions and that work was proceeding in other GATT fora on possibilities for future liberalization in the textiles and clothing and agricultural sectors.

17. A number of representatives referred to Canada's Article XIX actions affecting leather and non-leather footwear. A particular concern expressed by some of these representatives related to the use of "price breaks" in the establishment of quotas on specified products. In the view of these representatives, price breaks made it possible to define the source of restricted imports in a narrow and highly-selective manner despite the outward appearance of non-discriminatory treatment. In this case, the price breaks were detrimental to the exports of developing countries. Moreover, it was felt that this action had led to the more frequent use of price breaks in similar actions. A further question to be considered was whether the price breaks were consistent with Article I of the General Agreement. Some delegations noted that the Article XIX action on footwear had been in place for a long time and urged that no further extensions to the existing termination date of November 1985 for these actions be contemplated. The representative of Canada said that his country had not been the first to introduce price breaks into import restrictive actions taken on an m.f.n. basis and expressed the view that any increased use of this device was not the result of these Article XIX actions. He further stated that his authorities regarded the use of the price break as a liberalizing measure since it permitted imports which would not otherwise take place. With regard to the duration of the restrictions, the Canadian representative noted that his country was actively engaged in discussions concerning elements such as degressivity and duration in safeguard actions and was in favour of further discipline in this area. He also noted that Canada reviewed measures such as these every three years and pointed out that there had been some growth in the import quotas over time.

18. The representatives of certain countries expressed concern at the effect that anti-dumping and countervailing duty investigations were having on Canadian imports from their countries. One of these representatives said that anti-dumping enquiries automatically inhibited imports even when it was subsequently shown that no dumping was occurring. Another representative noted that no less than twelve products exported from his country were currently subject to anti-dumping duty actions. The representative of Canada drew the attention of the Committee to the Special Import Measures Act of December 1984, which modified in certain respects anti-dumping and countervailing duty procedures. The changes included the possibility that undertakings could be made by exporters which would lead to the cessation of an investigation, certain new procedures such as the right to seek an independent opinion on the adequacy of evidence of injury used in the decision to initiate an investigation, new provisions regarding the disclosure of information which aimed to make procedures more transparent, the introduction of legislative time limits for proceedings, and finally, new provisions relating to the public interest which provided the possibility that less than the full amount of the assessed duties could be imposed if it was considered in the public interest.

19. The representative of one country enquired about the current situation in regard to discriminatory pricing on alcoholic beverages, including wine, and wished to know whether this price discrimination persisted. The representative of Canada referred to the statement of intent made by her

authorities in 1979 regarding liquor boards. She noted that this was a matter which fell under provincial jurisdiction and that it was currently being discussed with provincial authorities.

20. The representative of one country expressed concern about the double taxation which resulted when products from his country, including cocoa, coffee and coffee products, were shipped to Canada through the United States. The representative of Canada informed this representative that his authorities were aware of this problem and that measures had recently been introduced with respect to soluble coffee which were designed to eliminate the levy of double duty.

21. The representative of one country sought further explanation concerning a statement in the Canadian submission to the effect that recent experience had pointed increasingly to the greater relevance of parts of the General Agreement other than Part IV as a framework for trade with many developing countries. The Canadian representative explained that this observation was of a general nature and related to the fact that additional advantages accrued to trading partners when their trade was governed by contractually binding obligations. Therefore, to the extent that this was true Canada attached importance to strengthening the legal basis for its trade relations with the developing countries.

22. A question which was addressed to the Canadian delegation related to the cases in which, before taking a restrictive trade measure, consideration had been given to the commitment in Article XXXVII, paragraph 3(c) to explore all possibilities of constructive remedies before applying measures which were permitted under the GATT where these measures would affect essential interests of developing countries. The representative of Canada said that her authorities endeavoured wherever possible to explore constructive remedies before taking restrictive trade measures in order to try to avoid any negative effects on the essential interests of developing countries. She gave as an example the fact that the Special Import Measures Act permitted the Canadian Import Tribunal to exclude marginal suppliers, which were often located in developing countries, from anti-dumping or countervailing duty action where exports from such marginal suppliers were not a major source of injury.

23. A further question concerned the steps that Canada had taken to comply with paragraph 4 of Article XXXVI and/or paragraph 2(a) of Article XXXVIII, which dealt with access to world markets for primary products of particular interest to less-developed countries. The representative of Canada noted that her country had participated in efforts to stabilize international commodity markets wherever such efforts promised to be effective and to the advantage of both producers and consumers. Canada advocated an examination of problems on a commodity by commodity basis and had joined international agreements on coffee, natural rubber, tin, sugar and jute. Canada was also participating in current efforts to negotiate new agreements on cocoa, natural rubber and tin. Canada had also signed, and ratified in September 1983, the Common Fund for Commodities.

24. A representative asked what measures Canada had introduced to comply with Article XXXVII, paragraph 1(b), which called upon contracting parties to refrain from introducing or increasing the incidence of customs duties or non-tariff import barriers on products currently or potentially of particular export interest to developing countries. The Canadian

representative said that apart from Article XIX measures affecting footwear and beef and a very limited number of GSP exclusions, Canada had generally refrained from introducing or increasing the incidence of customs duties or non-tariff import barriers on products currently or potentially of export interest to developing countries. Moreover, there were no non-tariff import barriers affecting exports of the least-developed countries and it was noteworthy that while the Canadian authorities had received some twenty-five safeguard petitions since the GSP was introduced, to date only five safeguard measures had been introduced.

25. A further question addressed to the Canadian delegation concerned measures which had been adopted to encourage production in developing countries or to introduce measures of trade promotion in line with Article XXXVII, paragraph 3(b), which calls for active consideration to be given to the adoption of measures designed to provide greater scope for the development of imports from developing countries and to collaborate in appropriate international action to this end. The representative of Canada said that in addition to attempting to ensure the most open market possible for imports from developing countries and the assistance provided under the GSP scheme, Canada had also contributed \$150,000 to the UNCTAD technical assistance project and had sent technical experts on the Canadian GSP scheme and other customs matters to participate on a regular basis in technical seminars arranged by UNCTAD. Canada also maintained its own trade facilitation office, as noted in the Canadian submission, in order to promote developing-country commercial interests in the Canadian market. Canada had also undertaken structural adjustment programmes designed to establish new employment opportunities in communities affected by industrial adjustment.

26. A final written question concerned measures which had been taken by Canada to ensure compliance with the provisions of Article XXXVII of the General Agreement, paragraph 3(c), which called on contracting parties to explore all possibilities of constructive remedies before applying measures where they would affect the essential interests of developing countries.

30. The representative of the Philippines requested the inclusion of tuna, packed or preserved in oil, in Canada's GSP.

31. The representative of Canada undertook to transmit these requests to Ottawa and refer back to them in due course. It was also understood that other questions raised but not fully answered would be referred to at a later date.

Consultations with Switzerland

32. The representative of Switzerland welcomed the opportunity to participate in Part IV consultations. He emphasized that these consultations could strengthen the effective functioning of the General Agreement by increasing transparency with respect to individual trade policy actions and by improving the dialogue among contracting parties. Moreover, the consultations were taking place at a time when a major effort was required aiming at trade liberalization and at restoring observance of the General Agreement. Switzerland's actions in favour of the developing countries were at two levels: on the one hand to facilitate developing countries' access to the Swiss market through the Generalized System of Preferences and the establishment of an information service for exporters from developing countries, and on the other hand, to develop the production and export marketing techniques of developing countries.

33. Referring to the GSP scheme, the representative of Switzerland stressed the fact that the Swiss scheme was mainly designed to cover industrial products, and that it was essentially based on the principle of duty-free treatment. With the exception of textiles and clothing, footwear, umbrellas, rough aluminium and electric batteries, products falling under CCCN Chapters 25 to 99 enjoyed zero duties under the GSP. Since the establishment of the Swiss GSP scheme only nine countries had not fully enjoyed its benefits as a result of their advanced degree of competitiveness. No country had been excluded altogether from the benefits of preferences. However, Spain and Greece had been transferred from the preferential regime to the free-trade regime as a result of the integration process in Europe. The least-developed countries were granted zero duty treatment for all industrial products. Thus the developing countries, with the exception of a few countries and products, received equal treatment with those industrialized countries with which Switzerland had concluded free-trade agreements under Article XXIV.

34. With respect to those industrial products which were still subject to customs duties, the duty was equivalent to half of the m.f.n. rate, and the latter had been gradually reduced, despite the fact that these were sensitive products. Moreover, no quotas or ceilings were instituted under the scheme of preferences. This was an essential feature of the Swiss scheme, which ensured an open market. Despite the particular situation in regard to Swiss agriculture, the GSP scheme included certain agricultural products of interest especially for the least-developed countries. The agricultural trade deficit of Switzerland was very high. While 50 per cent of the total imports (industrial and agricultural) from developing countries entered the market under preferential treatment, Switzerland was aware that trade with developing countries was still low, accounting only for 10 per cent of total trade. The reasons for this situation had been explained in the background documentation submitted by Switzerland. It was to be noted that the utilization of the GSP scheme was only 35 per cent.

Switzerland had endeavoured to improve this situation through facilitating the procedures for issuing origin certificates, through financial contributions, and also through providing experts for the technical assistance programme organized by UNCTAD. It was to be recognized, however, that the very low average of customs duties had been a factor which did not encourage the utilization of the Swiss GSP scheme despite efforts to simplify it. This raised the question whether the effective limits of the system had been reached. While Switzerland was fully committed to the objectives of Part IV, it also recognized the ever increasing importance of mutually contractual and multilateral obligations as a means of ensuring a non-discriminatory access to markets.

35. The representatives of a number of developing countries expressed their appreciation for the comprehensive information and detailed statistical data provided by Switzerland in its submission (document COM.TD/431) as well as for the explanation given in the statement made by the representative of Switzerland. Referring to the implementation by Switzerland of the Part IV provisions, several delegations noted with appreciation that Switzerland granted zero duty treatment on a number of products under its GSP scheme. These representatives also welcomed the level of bindings undertaken by Switzerland in the industrial sector and the fact that it had not taken any safeguard measures, anti-dumping or countervailing actions in recent years. They also pointed out as a positive element the non-application by Switzerland of restrictions in the textile sector under the GSP. A number of representatives of developing countries, however, remarked on the comparatively small share of Switzerland's imports accounted for by developing countries. They also noted that this share had been stagnant over the years and that Switzerland had enjoyed a permanent trade surplus with developing countries, particularly with non-oil developing countries. Some representatives of developing countries expressed concern over the statement contained in Switzerland's submission with respect to the inappropriateness of examining trade balances by country categories. In the view of these representatives such an approach might lead to overlooking the need for measures designed to increase imports from developing countries in order to offset their trade deficits. Moreover, they questioned whether it would be realistic to ask for additional commitments on the part of developing countries while these countries were constantly running a trade deficit. While recognizing Switzerland's efforts to implement Part IV of the GATT, a number of representatives of developing countries underlined the need for more positive measures to increase access for their exports to the Swiss market both through trade liberalization and trade promotion assistance.

36. The representative of Switzerland said that although he could understand the comments made in regard to the relatively small share of imports from developing countries, he was nevertheless convinced that the Swiss statement concerning the inappropriateness of examining trade balances by countries or by country categories was well founded since the GATT was indeed the legal framework which should allow the participating countries to derive the maximum benefits from trade expansion possibilities on a multilateral basis. The representative of Switzerland noted that imports from developing countries were increasing, despite the fact that many products coming from developing countries were manufactured in the economic area which bordered Switzerland, and the fact that Switzerland tended generally to import high value-added products, in which developing countries were often less competitive. This tendency was favoured by the

Swiss Customs tariff system which was based on specific duties by weight. In this context, referring to a question raised by one developing country delegation, the representative of Switzerland explained that the decline of that country's share in the Swiss market for shoes was a result of its own structural adjustment and economic evolution, which allowed it to export higher value-added products than shoes to Switzerland. He also drew attention to the fact that trade statistics were somewhat misleading because they did not identify those products from developing countries which were further manufactured outside Switzerland before being imported. He further observed that Switzerland was a relatively small market and direct imports very often were not justified in commercial terms, but came through distributors acting as intermediaries between exporters and the Swiss market.

37. In connection with the trade surplus with non-oil developing countries the representative of Switzerland noted that the high level of imports in relation to exports in developing countries reflected the rapid growth of the industrial and economic infrastructure of these countries. Thus, Switzerland's trade surplus was not a result of import restrictions, but the consequence of demand for goods in the purchasing countries which served to enlarge their economic base. At the same time Switzerland was a net exporter of capital. Trade and financial aspects of international exchange could not be dissociated in a clear-cut manner. The representative of Switzerland called attention to the statement contained in his country's submission concerning the readiness of his authorities to consider ways and means of eliminating trade and financial difficulties that might be encountered in the development process, and in a gradual process of incorporation into the contractual system of international trade.

38. Some representatives of developing countries expressed concern over the "negative preferences" faced by their countries as a result of the free-trade agreements between Switzerland and other developed countries, which in their view constituted one of the factors contributing to the low share of developing countries in Switzerland's imports. Several representatives of developing countries also pointed out that tariff escalation, especially in sectors of export interest for developing countries, represented another factor inhibiting imports by Switzerland from these countries.

39. In responding to the observation made in regard to "negative preferences", the representative of Switzerland expressed doubts about the validity of that concept. The free trade regime between Switzerland and EFTA countries, as well as the agreement with the EEC, were covered by the General Agreement and were based on reciprocity. The representative of a developing country said he was not questioning the legality of the arrangements, but rather expressing concern that these arrangements might cut across efforts made by the countries involved under other GATT provisions, including those contained in Part IV.

40. Representatives of some developing countries expressed concern with the problem of "double taxation". They took note of the explanation provided in this respect in document COM.TD/W.427 submitted by Switzerland, which stated that for Swiss traders and producers it was not always economical to purchase goods directly from developing countries. Nevertheless, their concern remained and it related more specifically to

products from developing countries which were dutiable both in the EEC and Switzerland, and as a result were subject to a sort of "double taxation". These representatives stated that they would welcome measures by Switzerland aimed at alleviating the problem and at promoting direct imports of certain products of interest to developing countries.

41. The representative of Switzerland referred to the analysis contained in the background note prepared by the Secretariat in connection with the issue of "double taxation", and the suggestion that one way to alleviate this problem would be to refund customs duties and internal taxes on re-exports. However, since such action would have to be taken by the reexporting country, it was not for the Swiss authorities to take a position on this issue.

42. Representatives of a number of developing countries observed that quantitative restrictions maintained by Switzerland on some products of interest to developing countries, particularly those falling within Chapters 1 to 24 of the CCCN, constituted serious obstacles to exports from developing countries. Some of these representatives said that in order to improve access for agricultural products, it would be necessary for Switzerland to accept negotiations which would lead to the abrogation of the exceptions from the GATT provisions that were presently enjoyed in regard to these products. Some other developing country representatives referred to the Swiss licensing system and prohibitions applied on some products which constituted obstacles to their exports. Some representatives of developing countries also stated that the elimination of these restrictions, as well as of "negative preferences", should take place before Switzerland sought new commitments from developing countries.

43. The representative of Switzerland emphasized that his country had a special regime for its agriculture within GATT under an exemption that was granted to it at the time of its accession to the General Agreement in order to achieve a balance of rights and obligations. He also referred to the obligation undertaken by Switzerland to report every year on this issue and to the possibility of examining it in a GATT Working Party every three years. Referring to "negative preferences", the representative of Switzerland noted that even if this concept was generally accepted it would be hard to see how it would relate to agriculture, since with few exceptions related to single products, the free-trade arrangements concluded by Switzerland did not cover agricultural products.

44. Several delegations of developing countries referred to the terms of access for tropical products on the Swiss market and to the important share accounted for by the EEC in Switzerland's imports of tropical products. These representatives reiterated their requests made in the context of tropical products consultations and put forward some additional requests aimed at ensuring improved terms of access for their exports of tropical products.

45. The representative of Switzerland expressed the willingness of his authorities to examine these requests.

46. In referring to the Swiss GSP scheme, representatives of a number of developing countries commended the stability of the system and the fact that it had benefited developing countries. However, they emphasized that there was still room for improvement in the scheme. These representatives

asked for the inclusion of more products entering duty-free under the GSP, enlarged coverage of agricultural products, more flexibility in regard to certain products like textiles, simplification of the rules of origin and the extension of the cumulative origin system to all developing countries. Some representatives of developing countries observed that their countries were not enjoying for some products preferential treatment under the Swiss GSP scheme to the same extent as other developing countries with a similar level of development, and they expressed the hope that Switzerland would consider removing this unfavourable treatment affecting some of their exports like textiles and clothing, footwear, furniture, watches and clocks, fresh fruit and vegetables. One of these representatives pointed out that in the case of footwear, for example, in respect of which his country was excluded from preferences, Swiss imports from GSP origin, valued at SwF 8.9 million in 1972, rose to SwF35.2 million by 1983, representing a 300 per cent increase, whereas imports from his country dropped during the same period from SwF8 million to SwF 2.8 million. This indicated that the exclusion of his country from preferences had resulted in trade diversion. The representative of another developing country indicated the intention of her authorities to address a written request to the Swiss authorities in connection with the improvements they sought in the GSP scheme. Several developing country representatives expressed the hope that the Swiss authorities would not in future take any measure to exclude particular developing countries from the GSP scheme.

47. The representative of Switzerland emphasized the importance attached by his authorities to the stability of the GSP scheme as one of the factors assisting developing countries in establishing new external markets. With respect to a possible wider application of zero duty treatment under the Swiss GSP scheme, he pointed out that apart from the agricultural sector the number of dutiable items was relatively small. Moreover, since m.f.n. duties were very low, GSP rates were also low. In addition, Switzerland provided assistance to developing countries in market-related activities, including the dissemination of market information. Responding to the observation made by one developing country representative with respect to the complexity of the GSP rules of origin, the representative of Switzerland agreed that the growing division of labour at the international level made the application of rules of origin more and more complex. However, he noted the concern expressed and agreed to examine the problem further with the country which raised it. In regard to the cumulative origin system, the representative of Switzerland observed that it already applied to the ASEAN countries and declared his readiness to examine an official request for the extension of the system to the Andean countries.

48. In regard to the textiles and clothing sector, the representatives of a number of developing countries were of the view that Switzerland could take an important step in favour of developing countries by making improvements in the GSP scheme as it applied to this sector. One developing country representative expressed appreciation for the non-protectionist attitude adopted by Switzerland since the 1960s in the face of increased imports of textiles. Instead of adopting import restrictions, Switzerland had improved the quality of its textile products and textile industry had undertaken a programme of structural adjustment. This example could hopefully be followed by other developed countries.

49. In responding to the observations made in regard to textiles the representative of Switzerland stated that his country had a genuinely liberal policy in this field also, bearing in mind the present situation. Switzerland had not had recourse to quantitative bilateral agreements under the MFA despite the fact that this possibility had been made use of by a great number of importing countries. Moreover, existing bilateral agreements had created additional pressure on the few markets which had remained open, like the Swiss market. Because of the decision not to make use of restrictions permitted under the MFA, Switzerland's textile sector was today in a very sensitive situation. Any further adjustment of the present system in terms of preferential duties would risk distorting the balance reached and increasing internal pressures on the government to make use of the instruments existing under the MFA.

50. Representatives of several developing countries expressed their appreciation for the trade promotion assistance provided by Switzerland, including through the Swiss Office for Trade Expansion. They also expressed the wish that these activities be maintained and strengthened. The representative of Switzerland said that his authorities considered trade promotion an essential instrument for fostering exports and that the activities undertaken by his country in favour of developing countries in this area would be continued.

51. Several developing country representatives addressed specific requests for trade liberalization measures to Switzerland.

52. The representative of Peru asked for zero duty under GSP for green coffee.

53. The representative of Yugoslavia listed a number of products for which her country would be interested in obtaining zero duty treatment under the Swiss GSP scheme: footwear (64.01 and 64.02) and copper and aluminium semi-manufactured products (74.03, 74.04, 74.05, 74.07, 76.02 and 76.03). This representative also requested an increase in the quota for red wine imported from her country (22.05.10.00) from 20,000 to 25,000 hectolitres.

54. The representative of Romania restated the interest already expressed bilaterally in the extension of GSP treatment to certain additional Romanian products. He also urged the Swiss authorities to examine the possibility of more flexible administration of the regulation concerning the import quota for wine, the elimination of the price system introduced in August 1983 on textile products, as well as of the "take over" system applied to imports falling under CCCN Chapters 1-24.

55. The representative of Malaysia expressed interest in the extension of GSP treatment to pineapples in sugar and palm kernel oil.

56. The representative of Kenya asked for improvement in preference margins under GSP for coffee, pineapples and pineapple products.

57. The representative of Uruguay observed that the rate of duty for natural honey applied by Switzerland was rather high. The representative of Switzerland said that due to the high production cost of Swiss honey, imported honey enjoyed a considerable market advantage and the tariff had a small impact.

58. The representatives of Chile and Cuba reserved the right to address requests to the Swiss delegation at a later date with respect to agricultural products.

59. The representative of Switzerland stated that his authorities would consider carefully, in the spirit of the objectives of Part IV, all comments and suggestions that had been made.

Chairman's concluding remarks

60. In summing-up the proceedings at the present session of the Committee the Chairman made the following observations:

61. "At this session of the Committee, we have carried a step further the process of Part IV consultations, as mandated by the Ministers in November 1982. The experience of the consultations with Canada and Switzerland has reinforced a widely held view in this Committee that the consultations process is effective in promoting fuller understanding of trade policies and measures adopted in the light of Part IV. The consultations are also useful in raising awareness of the further action that could be taken in pursuance of the objectives of Part IV to facilitate an expansion of the trade of developing countries.

62. "It seems to me that this exercise is useful in a number of specific ways. The documentation provided by the consulting countries and by the secretariat offers both an overview of the general direction and priorities of policy as well as a detailed account of specific measures. This is a valuable source of information which is not otherwise available on the same systematic basis to contracting parties. The consultations offer an opportunity for a more solid appreciation of the difficulties faced by the trading partners of the consulting countries, and also of the various considerations that the consulting countries themselves have to take into account in the process of policy making. Finally, the consultations provide a context in which possibilities for specific policy action can be identified and discussed and thereafter transmitted to the appropriate authorities for consideration.

63. "I am confident to be expressing a generally held view in complimenting the consulting countries on the positive and helpful attitude which has been shown during the course of the consultations. Not only has the preparation been thorough, but it has been possible to proceed consistently on the basis of a constructive dialogue. I should like to express particular appreciation in regard to the willingness of consulting countries to send officials from capitals to participate in the consultations.

64. "It is my understanding that the consulting countries will revert in due course to questions that have been raised but not fully answered, and will transmit the relevant information to the contracting parties concerned either directly or at a future meeting of the Committee. Similarly, it is my hope that specific requests for liberalization measures will receive full and, where possible, favourable consideration in capitals and that decisions taken will be made known to the parties concerned and to the Committee.

65. "I note that Australia and New Zealand will consult in the Committee at its next session. It is my hope that we will be able to carry this process forward on a systematic basis, and that next year some more developing countries would also have participated in this exercise. I recall that there has been some discussion in past sessions of the Committee on the question of maintaining consultations on a periodical basis as an integral part of the Committee's regular annual review of Part IV. It is my impression that there is fairly widespread support among contracting parties for the consultation process being continued and I have no indication that this is opposed in principle by any contracting parties. In view of our positive experience with these consultations it is my hope that we will be soon in a position to take the appropriate decisions to this end."