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PROCEEDINGS OF THE FIFTY-NINTH SESSION

Prepared by the Secretariat

1. The Committee on Trade and Development held its Fifty-Ninth Session on 27 May 1986. In the absence of H.E. Ambassador Osvaldo Lopez-Noguerol (Argentina), Chairman of the Committee, the meeting was chaired by Mr. M.G. Mathur, Deputy Director-General.

2. The Committee adopted the agenda set out in COM.TD/W/442, comprising the following items: review of developments in international trade; review of the implementation of the provisions of Part IV and the operation of the Enabling Clause, including Part IV Consultations; consultations and appropriate negotiations on tropical products; prospects for increasing trade between developed and developing countries; and meetings and programmes of work of the Sub-Committees on Protective Measures and on Trade of Least-Developed Countries for the current year.

Review of developments in international trade

3. The Committee had before it, in document GATT/1382, the first assessment by the GATT secretariat of developments in international trade in 1985 and current prospects. In his opening remarks, the Chairman observed that according to the report, the volume of world merchandise trade expanded by 3 per cent in 1985, as against 9 per cent in 1984. In terms of its dollar value, world merchandise trade increased by less than one per cent, as compared with an increase of 5.5 per cent in 1984. The report noted further that while the slowdown in the growth of world trade in 1985 affected practically all the main geographic areas and economic groupings, the sharpest turn-around occurred in the developing countries. The report also noted that most heavily indebted developing countries returned to the path of import-contracting adjustment last year. A number of factors contributed to this disappointing performance: a slowdown in economic activity in most industrialized countries, the impact of the adverse developments in the petroleum markets on countries dependent on petroleum exports, and of the sharp decline in the world markets for primary commodities, and to a certain extent the dampening effect of continued uncertainty about the future course of trade policies. The report had also referred to a number of changes that had taken place in certain other key factors in the world economy. These included the depreciation of the US dollar and the decline in interest rates, against the background of moderating inflation in most OECD countries. The report pointed out that these developments were bound to generate pressures for adjustments in existing patterns of production and trade, and emphasized the need to maintain a general macro-economic and micro-economic environment which would allow these adjustments to take place relatively smoothly.

4. Representatives of a number of countries expressed concern at the deteriorating trade situation of developing countries which according to the report was a key factor accounting for the slowdown in the growth of world trade in 1985. This development would have particularly negative effects on the economies of developing countries. These representatives underlined that protectionist measures adopted by developed countries together with the sharp decline in prices for the main products exported by developing countries had drastically limited their export capabilities. As a result the import capacity of developing countries had been reduced with negative impact on their economic growth. This situation was even more serious in the case of heavily indebted countries and least-developed countries.

5. Referring to the decline in commodity prices, a number of developing country representatives stressed that it was important to know exactly which factors had caused the decline before drawing any conclusions in regard to adjustments which should be made. Some delegations suggested that the secretariat might undertake a study on these factors. One developing country representative emphasized that when examining this subject the provisions of Part IV regarding the need for stable and remunerative prices for commodities should not be overlooked. The representative felt that in the light of the current situation of commodity trade the Committee should, in its future programme of work, give greater priority to this issue, focussing attention on the implementation of relevant provisions of Article XXXVI, paragraphs 4 and 5, Article XXXVII, paragraph 1(c) and Article XXXVIII, paragraph 2(a). Recalling the proposals made elsewhere by his delegation, the representative said that the examination by this Committee of the commodity stabilization issue should concentrate on the questions of subsidies and tariff escalation.

6. Several delegations referred to the persistence of the debt problem in many developing countries which had led to a return to a policy of import contraction in these countries. These developments had been anticipated in discussions held in various GATT fora where developing countries had emphasized that increased protectionist measures against their exports would necessarily lead to import contraction because there would be no other option left to them to correct external imbalances. Observing that the need to ensure positive growth rates set limits to the effectiveness of import contraction policies, these representatives pointed out that a number of developing countries had already reached the lowest possible level of imports consistent with any degree of economic growth. Inadequate growth rates would in turn adversely affect the exports of these countries and thus their ability to alleviate the burden of their external indebtedness despite the decline in interest rates.

7. Several representatives of developing countries expressed concern over the recent spread of protectionist measures in certain developed countries particularly in the agricultural and textile sectors. Such developments would not build confidence in the future of the international trading system. They also expressed concern at the strengthening of protectionist pressures in a major trading partner as reflected by draft legislation presently under examination in that country. These representatives expressed the view that if such legislation materialized it would be difficult to expect developing countries to adopt more liberal trade policies. Moreover, they feared that any such protectionist action would be used as a means of exercising bargaining pressure in the proposed new round. One delegation referred also to increased subsidization of agricultural products by two major trading partners whose negative effects had already been felt in international markets.

8. The representative of a developed country, responding to comments made in regard to increased protectionist pressures in her country, observed that the legislation referred to earlier by certain developing country representatives was not in fact a law. She stated that her country recognized the important role that it played in the international trading system and the influences that her country's policies and actions had on the rest of the world economy. The stand taken by her authorities against recent domestic pressures for relief from rising imports were significant examples of resistance to protectionism despite continuously growing trade deficits and the significant increase in imports including from developing countries. Those decisions to resist pressures for increased protection in specific sectors were taken in the broader interests of the national economy, but also of the trading partners. The representative also said that while being concerned about opportunities for the exports of developing countries to developed countries, her country was also vitally interested in open access to international markets without which its current level of imports could not be maintained.

9. Representatives of developed countries observed that despite the slowdown of international trade the world economic situation registered in 1985 certain positive trends and developments. It was noted that 1985 was the fourth year of expansion in developed countries and that economic growth had been more balanced among them. This latter feature was particularly important since unbalanced growth had been a major factor in increasing protectionist measures in certain countries. The decline in oil prices could also be regarded in general as a positive factor for further stabilization of growth in developed countries. Moderating inflation, the decline in interest rates, reduction in misalignment of exchange rates between important currencies and the progress achieved by certain developing countries in diminishing their external indebtedness were also positive developments. All this indicated that the world economy had better prospects now than the same time last year. However, severe problems still remained both in developed and developing countries. These included high unemployment, external indebtedness of developing countries, depressed commodity prices, exchange rate fluctuations and uncertainties regarding energy prices on the long term.

10. With respect to current prospects for international trade several representatives noted that according to the report by the secretariat the volume of international trade was expected to increase in 1986 by 4 to 5 per cent. The representative of a group of developed countries observed that there was an increased recognition among developed countries of the need for greater coordination of their macroeconomic policies. If successful, this would significantly contribute to improving developing countries' development prospects in the medium term.

11. Several representatives noted with concern the weak participation of developing countries in the expansion of international trade. Some delegations expressed the view that this was a result of the changes in the role of commodities in international trade. They suggested that the secretariat provide the Committee with available studies on developments in the structure of international trade in commodities. One delegation endorsed the view expressed in the report by the secretariat regarding the dampening effect on international markets of agricultural commodities of artificially supported levels of production and subsidized disposal of

surpluses and called for urgent action to remove distortions in agricultural trade. Another delegation said that the weak participation of developing countries in the growth of world trade could be due also to other factors such as protectionist measures, limited possibilities for developing countries to compete in international markets on the basis of subsidies and the structural inadequacies of developing countries' economies. This delegation suggested that studies on adjustment measures undertaken by developing countries in collaboration with international financial institutions be made available to the Committee in the context of its regular work on matters related to trade of developing countries.

12. A number of developed country representatives expressed the view that the new round of multilateral trade negotiations was a timely initiative which would allow the trading system to bring adequate responses to existing difficulties in international trade. In this context some delegations reiterated the view that one of the major objectives of the new round should be the improvement of the trading environment for developing countries. The representative of a group of developed countries emphasized the positive impact that the launching of a new round would have on the international trading environment through, inter alia, a credible standstill commitment by the participating countries. He also noted that while the trading system could bring its own response to existing problems, parallel efforts were needed in the monetary and financial fields including in respect to the financial aid to developing countries.

13. Referring to the proposed new round, some developing country representatives considered that the solution to the problems being encountered by their countries did not lie in their being required to take trade action in pursuance of concepts such as the so-called "dynamic" implementation of special and differential treatment "and on greater integration of developing countries in the international trading system", or in raising issues outside GATT competence, but in eliminating barriers to their exports in key sectors such as agriculture and textiles. These representatives also emphasized that measures in the trade area would not suffice to solve the present difficulties encountered by many developing countries which required broader measures of a political nature.

14. In concluding the discussion on the first item of the agenda the Chairman observed that the Committee on Trade and Development had its own role in contributing to the consideration of the international trade situation and trade policy measures affecting developing countries. In the course of the discussion which focussed on changes in the trade environment and trade prospects for developing countries reference was made to the complexity of the situation and hence the points of emphasis made by members of the Committee tended to differ. While a number of representatives had stressed the decline in the value of exports of developing countries, the increase in protectionist pressures as well as the deterioration of commodity prices, other representatives had referred to other global factors which would perhaps provide a somewhat more promising long-term perspective. A number of references had also been made as to the ways in which the preparation for a new round related to the present situation of international trade. The secretariat could be expected to examine the points made in regard to certain statements in its report, as well as the suggestions for further studies, keeping of course in mind the existing resource constraints.

Review of the implementation of the provisions of Part IV and the operation of the Enabling Clause

15. For the purpose of the review of the implementation of the provisions of Part IV and the operation of the Enabling Clause, the Committee had before it a number of notifications made by governments regarding recent changes in their respective GSP schemes: New Zealand (L/4366/Add.17), Finland (L/3694/Add.17), Austria (L/4108/Add.23), Australia (L/3989/Add.22), Switzerland (L/4020/Add.13), Hungary (L/5141/Add.4), Japan (L/4531/Add.12), and the European Economic Communities (L/5116/Add.16).

16. The representative of Australia made a statement explaining the new system of tariff preferences for developing countries (ASTP) which would come into effect on 1 July 1986. The representative said that the introduction of the new system which marked the culmination of a lengthy process of review that had been initiated in 1982 would offer significant advantages to developing countries. The system was based on three principles which were fundamental to the implementation of Part IV and the Enabling Clause, namely predictability, broad coverage and stability. These principles would enable all parties to develop their investment and trading plans in the secure knowledge that their margin of preferences would not be removed. The system would provide a uniform five percentage point margin on all dutiable items. As a result, about 300 new items would be granted preference. There would be no graduation, either of products or of countries. All developing countries would be eligible for preferences on all these items. Developing country quotas, which applied to a few items under the previous system would be abolished. Except for a few sensitive items, where the new system would be phased in over two and one-half years, the system would be fully operational from 1 July 1986. Australian industry would no longer be able to seek removal of developing country preferences on the grounds that imports from these countries were causing or threatening damage to local industry. The Australian Government was aware that the across-the-board percentage point margin of preference with no provision for exceptions or graduation would involve the reduction of margins on some items covered under the existing scheme. Referring to preliminary comments made by another institution on this particular aspect of the Australian scheme, the representative rejected that analysis. He said that the new scheme should be looked at as an overall package with the significant new benefits it offered taken fully into account.

17. The representatives of several developing countries expressed appreciation for the information provided by Australia in regard to its new system of tariff preferences. It was also noted with appreciation that the introduction of the new system had been preceded by consultations with beneficiaries. While acknowledging the improvements introduced under the new system, some representatives said that the five percentage point margin of preference might diminish the positive impact of the new system if the product coverage was to be limited only to the current items. In addition this margin might be too narrow to have the desired trade-creation effect. Other representatives observed that preference margins had been reduced under the new system and expressed the hope that this would be compensated by increased stability and security of the scheme. Some developing country representatives stressed that important products of interest for developing countries such as textiles and clothing had not been included in the system. One delegation also stressed the need for special treatment for least-developed countries as agreed in the 1982 Ministerial Declaration.

18. The representative of Australia responding to the comments emphasized that the five percentage point margin of preference was similar to the average margin of preference applied by major developed countries. Under the new system that margin of preference would apply to all products from all developing countries with no safeguard provisions. Recalling the very high utilization rate of the Australian scheme the representative expressed confidence that the five percentage point margin of preference would be meaningful and would help developing countries to sell into the Australian market. In regard to textiles, clothing and footwear (TCF) the representative noted that these items were not excluded from the new system and had indeed been covered by the Australian GSP for a number of years. He recalled that under the seven year liberalization programme for TCF which commenced on 1 January 1982 tariff quotas on these products had been expanding at an annual rate of about 7.5 per cent. A new TCF programme would come into force as from 1 January 1989. The Prime Minister of Australia had already undertaken the firm commitment that the new TCF programme would be aimed at further liberalization. It was also noted that the ASTP would apply under the new TCF programme.

19. The representative of Poland informed the Committee that as a result of a substantial review of the Polish GSP scheme, imports from developing countries had been further liberalized as from 1 January 1986. The Polish GSP scheme had been extended until 31 December 1990. Djibuti, Guinea-Bissau, Equatorial Guinea, Sao Tome and Principe, Sierra Leone and Togo had been added to the least-developed countries eligible for duty-free treatment on all products. Four more countries had been included in the list of beneficiaries. The product coverage had been extended by granting duty-free treatment for certain agricultural products and chemicals. The GSP rates for several industrial products had been fixed at almost 50 p.c. of m.f.n. rates. The GSP rates for several products already included in the scheme had been considerably reduced so that the majority of them entered the market duty-free. The representative said that a full notification concerning the new GSP scheme would soon be made available to the Committee.

20. The representative of New Zealand said that over the last two years his country's economy had gone through its most rapid internal structural adjustments since the Second World War. Over this period New Zealand had been conscious of commitments under Part IV and its rights and obligations under the Enabling Clause. Recalling previous notifications by New Zealand on the steps to be taken in order to phase out the current import licensing system by 1988, the representative noted that those moves had required a review of New Zealand's GSP policy with the view to making it clear and consistent as the tariff assumed more fully its proper role at the border. The representative observed that while 97 per cent of New Zealand's imports from developing countries entered the market either free or under its GSP scheme there had been no clear rules on GSP product coverage or margins of preference. In order to remove inconsistencies and establish a clear GSP policy his Government announced on 12 May 1986 that in future the developing country rate would be 80 per cent of the normal tariff. The policy would be phased-in over several years in conjunction with other tariff changes. This meant that the first alterations would come into effect on 1 July 1986 together with the reductions (announced last year) to normal duties above 25 per cent on products not covered by specific

industry plans. In no instance would this change lead to an increase in developing country rates. In fact, the new 80 per cent relationship would be established by reducing some developing country rates. Once the 80 per cent relationship was established the normal and developing country rates would be altered in tandem. The present system of country graduation, which removed countries from GSP when their GNP per head reached 70 per cent or more of New Zealand's, would remain but graduation for individual products would not be introduced. In this context, he noted that Hong Kong would be affected by the country graduation provision with effect from 1 July 1986. In accordance, however, with New Zealand's policy of considering the reinstatement of developing country rates on specific items the Hong Kong and New Zealand authorities had held consultations similar to those held earlier with Singapore. Decisions on a range of items were pending. Finally, as a result of the just completed review the GSP would also be extended to cover over forty items (the majority being food items, surface coating preparations or glue products) for which there was currently no GSP rate. The introduction of the GSP to these new items and the phasing down of the developing country rates for other items would affect duty rates for about 100 items by 1987. All these changes taken together would benefit developing countries and bring a greater consistency and predictability into their trading relationship with New Zealand.

21. Representatives of a number of developing countries expressed appreciation for the information provided by New Zealand. The representative of Hong Kong expressed serious concern over developments in the operation of the New Zealand GSP scheme which might seriously affect the trade between Hong Kong and New Zealand. Confirming that consultations on this issue with New Zealand were taking place he reserved the right to revert to the subject depending on the outcome of those consultations.

22. The representative of Japan said that in accordance with the commitment spelled out in the Action Programme for Improved Access of 30 July 1985, the Japanese Government had extended the GSP coverage to new items and reduced GSP rates on twenty-four tropical and agricultural products. In addition, GSP rates on 115 items had been reduced by approximately 20 per cent in line with across-the-board m.f.n. rate reductions. The GSP rates with respect to two items (22.05-1 and ex 22.05-2) had been reduced as from 1 April 1986. The reductions of GSP rates on other items had been implemented as from 1 January 1986 instead of 1 April 1986 as specified in the Action Programme. In response to requests by interested developing countries, cotton cloth batiks (ex 55.09) had been included in the GSP scheme with duty-free treatment. Other measures were related to modifications in the ceiling control and rules of origin as well as to the list of GSP beneficiaries. The representative also recalled the proposal put forward last year by his country in regard to the establishment of an international principle aimed at supporting efforts of developing countries to industrialize through co-ordinated efforts by developed countries for a fundamental improvement of GSP schemes. This principle would consist of three points, namely: (i) freeze and reduction of product exclusions; (ii) zero tariff rates under the GSP; and (iii) special consideration for the least-developed countries.

23. The representative of the United States noted that GSP duty-free imports continued to increase reaching 13.3 billion dollars in 1985. Pursuant to the new GSP statute as extended in 1985, least-developed countries now received unlimited duty-free access to the US market for GSP eligible articles. The base of benefits had been further extended through an expansion of the items eligible for waiver of the competitive need limit through the de minimis provision of the statute. Under this provision, the list of eligible articles had been extended from the original ninety-four tariff items to 220 as of 1 January 1986. These changes and other changes resulting from the annual administrative procedures as announced by the President on 1 April which would be implemented on 1 July 1986, had been notified to the secretariat (L/5153/Add.5). This was the first set of changes since passage of the legislation extending the US programme. In response to a number of requests, including those from developing country exporters, there was now longer lead time before changes were implemented. The representative observed that the US scheme was very much a participatory process. In an effort to make the scheme more transparent, the US had revised its regulations, in consultation with beneficiary countries. The petition format for annual reviews had now been standardized and should ease the efforts of developing countries seeking to add new products to the list of articles eligible for GSP duty-free treatment. In this respect she informed the Committee that the United States would conduct its first product review under the new authority. As announced in the Federal Register in April, petitions for this year's annual review would be considered if made by 2 June 1986. Finally, she also noted that the GSP Sub-Committee had actively participated in regional GSP seminar programmes for ASEAN countries in Jakarta, Pacific Basin Countries in Suva, Fiji, Latin American countries in Rio de Janeiro and Asian countries in Colombo. In addition, the US arranged bilateral seminars for Turkey, the ANDEAN countries, ASEAN, Argentina, Brazil, Mexico and Chile.

24. The representative of the European Communities said that the modifications introduced in the EEC GSP scheme for 1986 were not as important as those made five years ago. He noted that the volume of imports enjoying GSP treatment had increased as a result of the enlargement of the EEC. In the case of industrial products subject to quotas the increase was up to 10 per cent for most of these products. Another change consisted in a greater degree of differentiation on certain very sensitive industrial products which resulted in a 50 per cent reduction in the tariff quotas on a limited number of products for countries which were particularly competitive. These reductions took account of the fact that the exports of the countries concerned to the EEC had consistently over recent years been very substantially in excess of the tariff quotas. Moreover, there was little evidence of the quotas having an effect on those countries' abilities to export to the EEC market. The quotas taken from the more competitive countries went into the pool for the other countries. The representative also noted that specific quotas had been eliminated altogether for four beneficiary countries which would now enjoy a more general regime. As regards agricultural products, there had been a number of specific improvements partly as a result of the Community's enlargement but also as a result of liberalization measures. With respect to least-developed countries, the EEC announced last year its readiness to negotiate, outside the GSP framework, export stabilization agreements with those countries which were not part of the Lome Convention; the EEC was now in the process of introducing such a facility for certain products from Bangladesh.

25. The representative of Yugoslavia stated that the recent decision by the European Communities to ban imports of certain agricultural products originating in her country on the grounds of radiation levels had seriously affected the trade, economic and social development of her country. The Yugoslav authorities considered the measure taken by the EEC as arbitrary, protectionist and discriminatory. In adopting that measure the EEC disregarded basic GATT principles and provisions in particular those of Part IV, Article XXXVII, paragraph 3(c) which contained the commitment by developed countries to have special regard to the trade interests of developing countries when considering the application of other measures permitted under the General Agreement to meet particular problems and explore all possibilities of constructive remedies before applying such measures where they would affect essential interests of those contracting parties. While the total prejudice caused by the EEC's measure was not easy to evaluate the representative said that the value of contracts lost as a result of the measure accounted for about US\$27 million. Her authorities proposed therefore that the Committee on Trade and Development recommend to the EEC that it abolish immediately the ban on Yugoslav agricultural exports and to enter into consultations with Yugoslavia on ways and means to compensate it for the economic losses and damage. The representative reserved all rights under relevant GATT provisions to raise the matter in other appropriate GATT bodies. Several delegations expressed their understanding for the difficulties encountered by Yugoslavia as a result of the EEC's measure and expressed the hope that the ban on imports would be soon withdrawn. Some of these delegations supported the request by Yugoslavia for consultations.

26. The representative of the EEC said that while he understood the concern of the Yugoslav authorities he did not agree that the measure by the EEC was arbitrary or discriminatory and that it disregarded GATT rules. He recalled the statement made by the EEC representative at the Council meeting on 22 May 1986 explaining that those measures had been taken because of concern and fear among the European population. Insufficient information about the levels of radioactivity in exporting countries made it impossible to reassure the population. However, he noted that since the measure was adopted more information had been provided. The EEC-Yugoslavia Cooperation Council at its meeting on 15 May 1986 agreed upon further bilateral examination of the measure with a view to its early modification. The representative said that he would convey to his authorities the requests made by Yugoslavia at this session of the Committee. However, he could not see how the provisions of Article XXXVII, paragraph 3(c), although relevant, could have been implemented under the circumstances. He added that the ban on imports was in force until the end of May when the EEC would decide what subsequent measures would be needed. In this respect a proposal for establishing general radiation standards to be verified at the border on imports from all sources was presently under examination. As regards the request for compensation by Yugoslavia the representative took note that severe damage had been done to that country's agricultural exports. However, he observed that equal difficulties existed for farmers within the EEC who suffered very substantial damage because of consumer unwillingness to buy products which might be dangerous.

27. The Chairman said that the discussion on changes in trade policies towards developing countries in particular in relation to GSP schemes for 1986 revealed some significant modifications in regard to product coverage, duty rates and margins of preference. He noted that information in regard to some of these changes had been provided before they had been actually implemented and that possibilities for further information and discussions particularly at bilateral level still remained. As far as the specific issue raised by the representative of Yugoslavia was concerned this was a matter on which further contact would continue.

Programme for Part IV consultations

28. The Chairman recalled that at its Fifty-Eighth Session in November 1985, the Committee had agreed to recommend to the CONTRACTING PARTIES that consultations with contracting parties to examine how individual contracting parties had responded to the requirements of Part IV, as provided for in paragraph 1(a) of the Annex to the Ministerial Declaration of 1982, be continued as an element of the review and surveillance procedures of the Committee on Trade and Development in regard to the implementation of Part IV. Since then, there had been informal exchange of views among delegations as to how this work may be organized in the future. This session offered the opportunity to carry this exchange of views further.

29. Representatives of a number of developing countries expressed appreciation of the process that had taken place under the consultations procedure. However, they had been disappointed by the insufficiency of positive and concrete responses on the part of consulting countries to the trade barriers that had been identified and the specific requests for liberalization that had been addressed to them. The results achieved so far had fallen far short of the expectations with which the procedure had been initiated. The broad picture that had emerged in the process of the consultations pointed to the need for further systematic and intensive work to ensure better and fuller compliance by contracting parties with the provisions of Part IV.

30. Some of these representatives felt that it may be opportune and useful to carry out a global evaluation of the extent to which contracting parties had implemented or complied with their obligations under Part IV. While acknowledging that both developed and developing countries had obligations under Part IV, and that it was necessary that more developing countries should consult, they contended that the provisions of Part IV in large part embodied commitments on the part of developed countries in relation to their trade with developing countries, and therefore, the need for more developing countries to consult in regard to their own limited obligations under Part IV was no reason why this process should not be carried further, and a global evaluation of the results that had been achieved be carried out.

31. A number of other representatives reiterated the view that the consultations procedure had been carried out in a spirit of goodwill and cooperation, and had been found to be effective and useful in raising the consciousness of national administrations in regard to the requirements of Part IV and in promoting greater clarity and transparency of national trade policies and trade regimes. Consulting countries had endeavoured to

respond positively to the comments and observations made by delegations in the course of the consultations and the requests addressed to them, would no doubt continue to be taken into consideration in future policy reviews by national administrations. Some of these representatives however strongly felt that so long as a sufficient number of developing countries had not consulted in regard to their own obligations under Part IV, it would be premature and impracticable to carry out the kind of global evaluation that had been suggested. One representative further observed that it would be premature to go into a second round of consultations in view of the important developments that were taking place in regard to future work in the GATT.

32. In summing up the discussion, the Chairman expressed the hope that delegations would continue to exchange views informally in regard to the questions that had been raised in the discussions so that progress could be made in dealing with these questions.

Consultations and appropriate negotiations on tropical products

33. The Chairman recalled that pursuant to the 1982 Ministerial Decision, the Committee held consultations on tropical products in November 1983 and May 1984 and that the Committee discussed the matter at its fifty-fourth, fifty-fifth and fifty-eighth sessions. He noted that while the Preparatory Committee had discussed the subject of tropical products and was expected to make recommendations for consideration by Ministers with respect to the broad objectives and modalities for negotiations on tropical products, the Committee might wish to discuss some of the specific suggestions put forward, partly to assist ongoing discussions in the Preparatory Committee and partly to facilitate any further work that might be agreed upon.

34. Representatives of a number of countries expressed the view that further work on tropical products could properly be pursued in the context of the proposed new round. Thus, the problem regarding interpretation of "appropriate negotiations" referred to in the 1982 Ministerial Declaration could be expected to resolve itself. A number of these representatives stated that the Committee could make useful contributions to substantive progress in this sector by attempting to further clarify existing problems and by exploring proposals regarding specific modalities for negotiations on tropical products, while keeping in view various relevant factors and modalities which may be established for other sectors of the negotiations, such as tariffs. It was noted that issues on tropical products cut across both agricultural and industrial sectors and a broad range of market access concerns. One of these representatives stated that he was hesitant to be too specific, at this stage, in regard to points that would need to be resolved in the context of the new round.

35. With reference to document COM.TD/W/424, the representatives of some developing countries sought clarification as to the products to be covered by negotiation on tropical products, noting that in some areas tropical and agricultural products overlapped.

36. A number of delegations stated that the ASEAN proposal submitted earlier deserved further consideration and that the clarification, evaluation and elaboration of the proposal would be necessary for determining its viability. In this connection, it was stated that the ASEAN countries themselves or the secretariat might be able to take up this question. The representative of a developed country stated that her country was interested in the proposal both as a producer and a consumer of tropical products.

37. The representative of a developing country which was heavily dependent on a few tropical products for its export earnings, stated that his country attached utmost importance to the liberalization of trade in tropical products and had participated in the consultations on tropical products held in May 1984. Although the consultations had offered adequate opportunities for understanding problems, responses made to his country's specific requests had been less than satisfactory. There remained considerable scope for attaining the objective of full liberalization of trade in tropical products, which would benefit developing countries in general and least-developed countries in particular. He added that modalities for negotiation on tropical products should be worked out in a way to enable the fulfilment of the goals set in the 1982 Ministerial Declaration, taking into account particular problems of least-developed countries.

38. Without prejudice to discussions in the Preparatory Committee, representatives of a number of countries expressed their willingness to treat tropical products as a priority sector in the new round, recognizing the importance of trade in tropical products for a number of developing countries. One of these representatives envisaged that the objectives of negotiation on tropical products should be the maximum possible liberalization of trade and stated that the new round would be conducive to the achievement of such objective. Another of these representatives stated that her country would support trade liberalization in all tropical products in both agricultural and industrial sectors and considered tariff escalation and non-tariff barriers as the most serious problems to be tackled. Another representative stated that the question whether negotiations on tropical products be conducted on a non-reciprocal basis or on a basis of relative reciprocity should be resolved in the context of the new round. Another representative stated that there would be no need for establishing specific criteria for tropical products with respect to reciprocity. One representative stated that requests for trade liberalization on processed forms of tropical products would be assessed in the light of the overall results of the new round for his country.

39. Reviewing her country's commercial policy situation as it related to tropical products, the representative of the United States stated that her country already provided liberal access for the products covered by the Committee's work on tropical products. In 1985 nearly 70 per cent of total US imports of these products entered duty-free on an m.f.n. basis. The trade-weighted average of the remaining dutiable items was 2 per cent ad valorem. Most imports of these products from developing countries entered free of duty either on an m.f.n. basis or under GSP. She added that her country had both import and export interests in tropical products, noting that a number of these products were principally supplied by developed countries.

40. The representative of the EEC said that while there was no formal agreement on the definition of tropical products, a certain common understanding already existed on this matter as reflected in COM.TD/W/424. Expressing concern about possible overlapping of tropical and agricultural products in certain areas, he drew attention to the EEC statement in relation to the 1982 Ministerial Declaration and to the EEC reservation in the Preparatory Committee in regard to negotiation on agricultural products. A substantial problem was that it was difficult for him to envisage treating products such as rice, tobacco and certain oilseeds

differently from other products coming under the Community's agricultural policy, although this did not imply that concessions on these products would not be possible. He hoped that the problem of erosion of special preferences through m.f.n. tariff reductions would be taken care of in the global context of a new round.

41. The representative of New Zealand said that the unilateral tariff reductions made by his country on 1 January 1986 in the context of the global trade liberalization (L/5990) covered such tropical products as pineapple juice and coir mats and mattings and that these products had been granted GSP duty-free treatment. Recalling that his country had eliminated duties on bananas in the Tokyo Round, he stated that as a result his country's banana imports had increased significantly and the per capita banana consumption of his country had reached the highest level. At present approximately 90 per cent of his country's banana imports originated in Ecuador and the Philippines. He noted that per capita banana consumption was generally higher in those countries which had liberalized banana imports than in other countries which still maintained customs duties, quantitative restrictions and/or consumption taxes on these imports. He considered this as an interesting example of trade liberalization having favourable effects on the level of overall consumption.

42. The representative of Japan stated that GSP improvements made by his country this year covered some tropical products such as bananas and that the Committee would be able to make a useful contribution to the work on tropical products by updating available tariff data taking into account recent measures. The representative of Canada said that while his country had already granted most tropical products duty-free treatment and duties remained only on some sensitive items, his country was prepared to examine the possibility of making further progress particularly with respect to products of export interest to least-developed countries.

43. In concluding discussions under this agenda item, the Chairman stated that there was a fund of goodwill which needed to be drawn upon, even though there was some uncertainty as to how precisely the Committee should follow up questions relating to modalities and objectives, in view of the ongoing work being pursued elsewhere. He noted the information provided with regard to the consumption of bananas as it was impacted by the liberalization of trade for this product. He also noted that attention had been drawn to certain other issues, including the treatment of tropical products competing with products produced in the temperate zone. Noting that a number of delegations had expressed interest in following up earlier proposals, notably those made by the ASEAN countries, the Chairman stated that the secretariat could be expected to consult with the ASEAN countries as to the further pursuit of this work. The various suggestions on future work made in the Committee, appeared to reflect the expectation that the Committee should continue to give consideration to the contribution it could make to facilitating action on tropical products.

Prospects for increasing trade between developed and developing countries

44. Referring to the Decision taken by Ministers at the Thirty-Eighth Session of the CONTRACTING PARTIES instructing 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, the Chairman recalled that the Committee had had an exchange of views on this subject at a number of its previous sessions, on the basis of the secretariat paper (COM.TD/W/412 and Add.1). More recently, the Preparatory Committee had also examined certain questions related to the treatment of developing countries. Given the continuing role of the Committee on Trade and Development in issues concerning trade relations between developed and developing countries, the Committee could be in a position to provide some useful input for the approach that might be made to these matters in the future work in GATT.

45. The representative of one country observed that the expansion of trade between developed and developing countries was central to the aims and objectives of the GATT. Developing countries needed to expand their exports to be able to sustain or expand their imports. His country, which provided an important and dynamic market to its trading partners, was trying its utmost to maintain the momentum of its imports through autonomous liberalization measures. Obviously, however, its capacity to take in imports was dependent upon its ability to maintain and expand the level of its exports.

46. The representative of another country referring to the concluding paragraphs of the secretariat study, observed that what was needed to strengthen and revitalize the multilateral trading system and promote the accelerated expansion of world trade was better and fuller compliance with the existing provisions of the General Agreement, and not further amplification or elaboration of these provisions. Full and faithful compliance with the existing obligations of the General Agreement by all contracting parties would itself be a major contribution to the liberalization of world trade. The proposed new round should not be an excuse to avoid adherence or return to GATT rules.

47. The representative of another country observed that the conclusions of the secretariat study were interesting, and called for further exchange of views at future meetings of the Committee. She felt that updating and further elaboration of paragraphs 179-187 and 198-205 of the study might be useful.

48. The representative of a group of countries endorsed the conclusions reflected in paragraphs 198 of the study, that the General Agreement itself should be the basis and framework for trade relations between developed and developing countries, and that GATT was the appropriate forum for seeking further liberalization of this trade. He felt that the conclusions contained in paragraph 203 needed reflection in the context of the new round. Paragraph 204, which dealt with the general trading environment and the problems faced by developing economies, was also important. The conclusions contained in paragraphs 200-202 referred to the question of balance of rights and obligations in the GATT, which again was a subject of importance. He agreed with the suggestion that autonomous liberalization measures adopted by developing countries needed to be taken into account in the context of the new round and of the balance of rights and obligations that would emerge from the new round. The Preparatory Committee was seized of many of these questions; accordingly, he was not sure whether it would be useful to try to develop further the conclusions of the secretariat study. He thought the situation in this regard may be clearer when the Committee meets for its autumn session.

49. Summing up the discussion on this item, the Chairman observed that a large part of the interest in the secretariat study in the present circumstances consisted in the encouragement that it gave to the consideration of the modalities, techniques or ways and means that would encourage the more active, effective and meaningful participation by the developing countries in the coming negotiations. The study was not a static piece of analysis. The Committee may wish to keep open the possibility of addressing some of the points that had been made in the study, at a later date.

Meetings and programmes of work of the Sub-Committee on Protective Measures and on the Trade of the Least-Developed Countries for the current year.

50. The Chairman recalled that the Sub-Committee on Protective Measures had usually held its meetings once each semester. While there had been some comments about the work of the Sub-Committee, there had also been an indication of continuing interest in the Sub-Committee's role, pending an overall review of the situation. It was expected that the Sub-Committee may be in a position to have its next meeting before the next session of the Committee on Trade and Development. He hoped that the question of appointment of the Chairman of the Sub-Committee for the current year would also be taken up and settled very soon through further informal consultations.

51. The Chairman observed that the request of a least-developed country for consultations in the Sub-Committee on the Trade of the Least-Developed Countries was presently under consideration in the context of the work programme of the Sub-Committee. The question of the appointment of the Chairman of the Sub-Committee for the current year also needed to be settled through informal consultations. One representative emphasized the need for making the work of the Sub-Committee more effective, meaningful and purposeful.

52. The representative of a least-developed country recalled the mandate of the Sub-Committee on the Trade of the Least-Developed Countries, and emphasized the importance that his delegation attached to its work.

Next meeting of the Committee

53. The Chairman observed that the date for the next meeting of the Committee would be determined by the Chairman of the Committee in consultation with the delegations and the secretariat.